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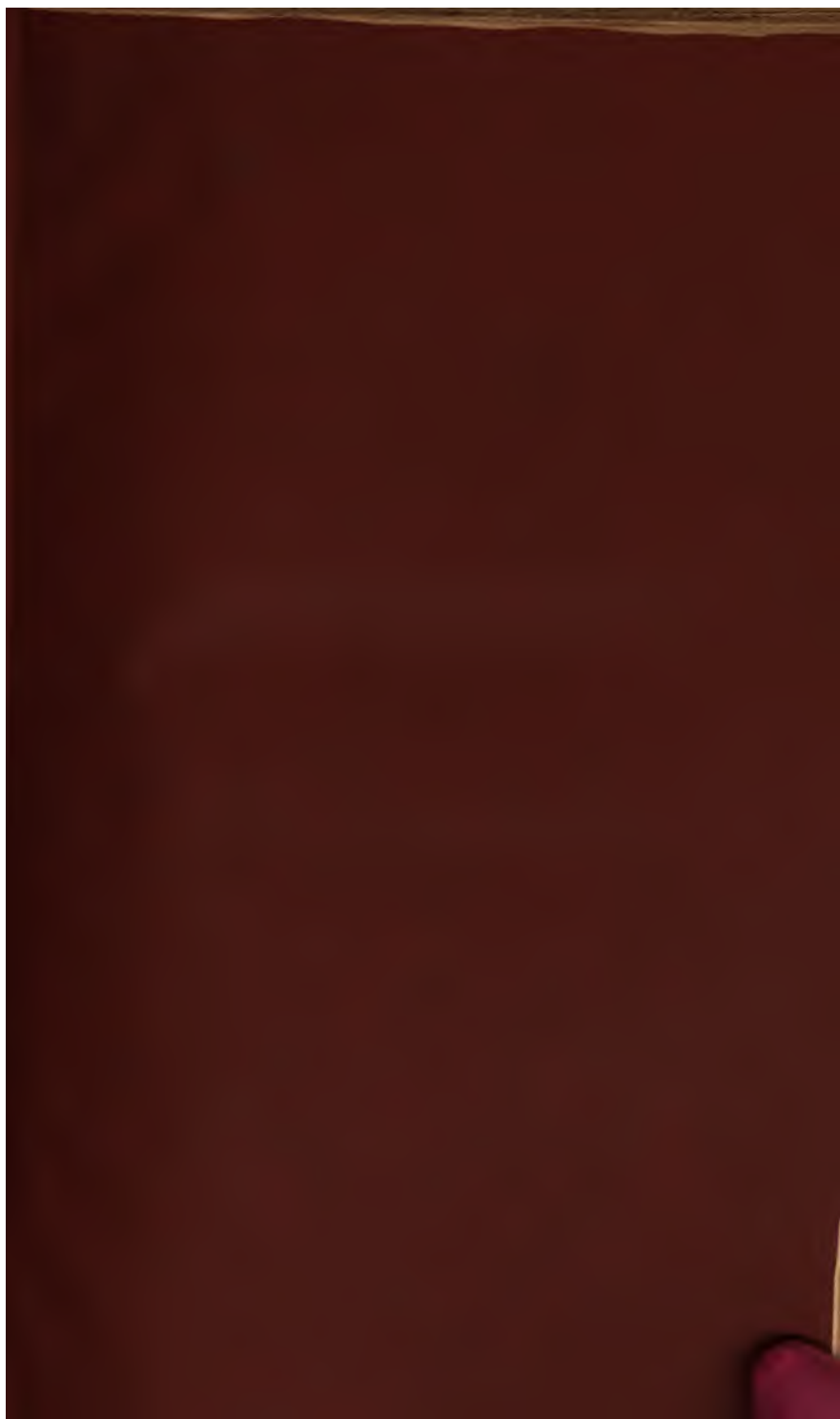
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**CHARACTER AND LOGICAL METHOD OF
POLITICAL ECONOMY.**

POLITICAL economy, at least, is found to have sound principles, founded in the moral and physical nature of man, which, however lost sight of in particular measures—however even temporarily controverted and borne down by clamour—have yet a stronger and stronger testimony borne to them in each succeeding generation, by which they must, sooner or later, prevail.—*Herschel*.

THE
CHARACTER & LOGICAL METHOD
OF
POLITICAL ECONOMY;

BEING A COURSE OF LECTURES DELIVERED IN HILARY TERM, 1857.

By JOHN E. CAIRNES, A.M.,
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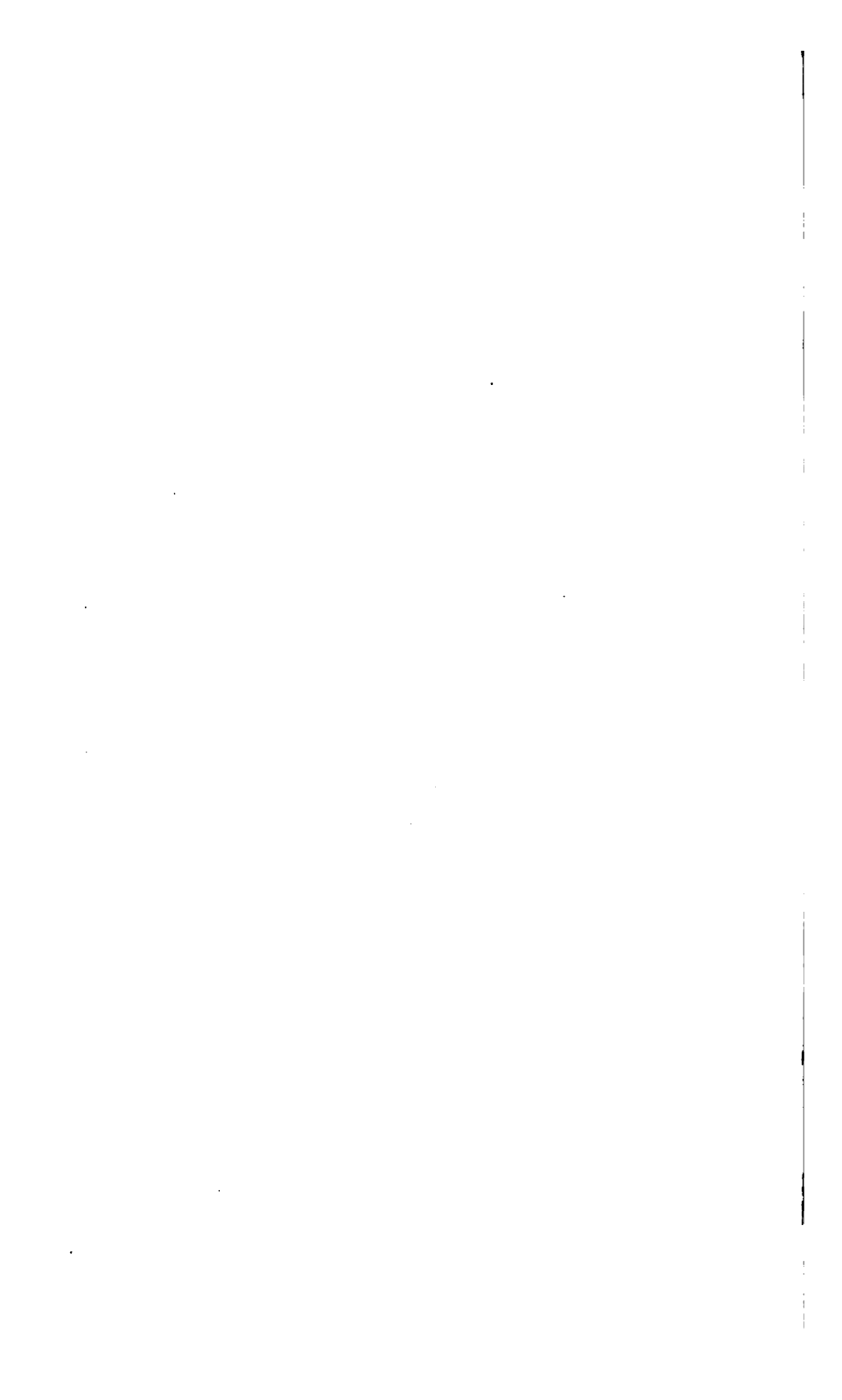
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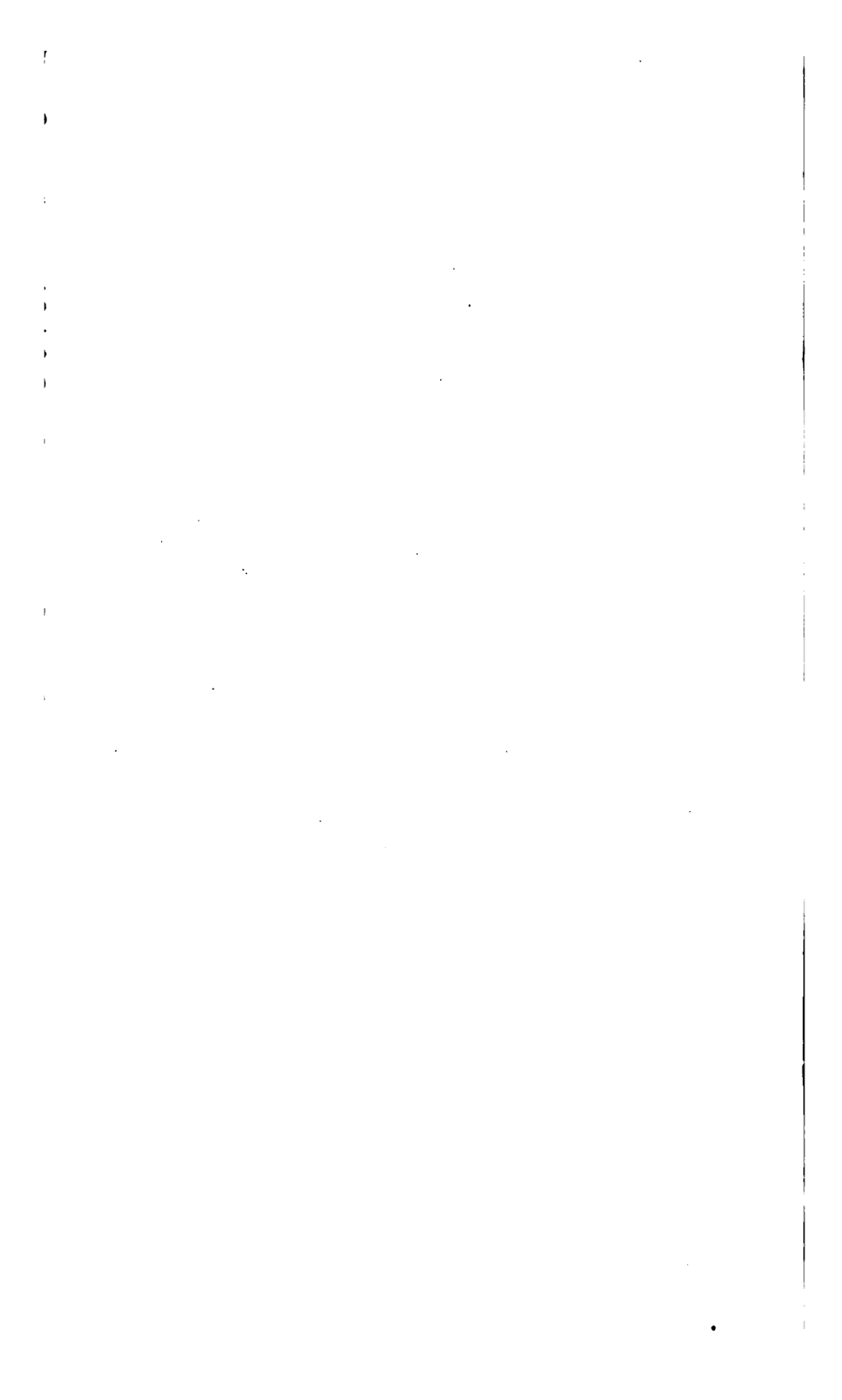
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TO
His Grace the Archbishop of Dublin,
WHOSE WISE LIBERALITY FIRST INTRODUCED,
AND WHOSE WRITINGS HAVE FOSTERED,
THE STUDY OF POLITICAL ECONOMY IN THIS UNIVERSITY,
THIS VOLUME IS RESPECTFULLY DEDICATED
BY
THE AUTHOR.



CONTENTS.

LECTURE I.—Of the Character, Objects, and Limits of Political Economy	1
LECTURE II.—Of the Mental and Physical Premises of Political Economy, and of the Logical Character of the Doctrines thence deduced	22
LECTURE III.—Of the Logical Method of Political Economy	49
LECTURE IV.—Of the Solution of an Economic Problem, and of the degree of perfection of which it is susceptible	77
LECTURE V.—Of the Malthusian Doctrine of Population	105
LECTURE VI.—Of the Theory of Rent	138
Appendix A	173
Appendix B	178
Appendix C	183



PREFACE.

ONE of the conditions attached to the Whately Professorship of Political Economy requires that, at least, one lecture in the year shall be published by the Professor. In the following pages I have ventured considerably to exceed this requirement, the subject which I selected as most appropriate for my opening course not being such as could be conveniently compressed within a single lecture.

With respect to the views advanced in this work, it may be well, in order to prevent misapprehension, to disclaim at the outset all pretence to the enunciation of any *new* method of conducting economic inquiries. My aim, on the contrary, has been to bring back the discussions of Political Economy to those tests and standards which were formerly considered the ultimate criteria of economic doctrine, but which have been completely lost sight of in many modern pub-

lications. With a view to this, I have endeavoured to ascertain and clearly to state the character of Political Economy, as this science appears to have been conceived by that succession of writers of which Smith, Malthus, Ricardo, and Mill are the most distinguished names ; and from the character thus ascertained to deduce the logical method appropriate thereto ; while I have sought further to fortify the conclusions to which I have been led, by the analogy of the method which in the physical sciences has been fruitful of such remarkable results.

It may, perhaps, be thought that it would have conduced more to the advantage of economic science, if, instead of pausing to investigate the logical principles involved in its doctrines, I had turned those principles to practical account by directing investigation into new regions. To this I can only reply, that the contrarieties of opinion at present prevailing amongst writers on Political Economy are so numerous and so fundamental, that, as it seems to me, no other escape is open to economists from the confusion and the contradictions in which the science is involved, than by a recurrence to those primary considerations by which the importance of doctrines and the value of

evidence are to be determined. To disregard this conflict of opinion, and to proceed to develop principles the foundations of which are constantly impugned, would be to prosecute inquiry to little purpose.

The discussion of economic method with a view to this object has rendered it necessary for me to refer principally to those questions on which opinion is at present divided ; and, in doing so, I have been led frequently to quote from recent writers for the purpose simply of dissenting from their doctrines. This course, which I would gladly have avoided had it been compatible with the end in view, has given to portions of these lectures more of a controversial character than is, perhaps, desirable.

I feel also that some apology is due for the number and length of the notes. As I have just stated, the nature of the subject required frequent reference to disputed topics. To have met the current objections to the principles which I assumed, by stopping on each occasion to discuss them in the text, would have inconveniently broken the sequence of ideas, and hopelessly weakened the force of the general argument. On the other hand, to have wholly passed them by with-

out notice would, perhaps, have been still more unsatisfactory to those who were disposed to adopt such objections. I should thus have been guilty of the imprudence of the commander who invades a country, leaving numerous untaken fortresses in his rear. Under these circumstances I have had recourse to the only other alternative—that of transferring such discussions to the notes, or, where the argument is too long for a note, to an appendix.

With the exception of the matter in the notes, and of some trifling alterations and additions, the lectures are now published as they were originally delivered—a circumstance which I hope will plead in extenuation of their numerous imperfections.

I cannot close these remarks without gratefully acknowledging the very liberal manner in which the Board of Trinity College has contributed towards the expense of the present publication.

LECTURES ,

&c.

LECTURE I.

OF THE CHARACTER, OBJECTS, AND LIMITS OF POLITICAL ECONOMY.

IN commencing a course of lectures on Political Economy, it is usual and natural to indulge in some congratulatory remarks on the progress of the science in recent times, and more particularly on the satisfactory results which have attended the extensive, though as yet but partial, recognition of its principles in the commercial and financial codes of the country. It is indeed not easy to exaggerate the importance of these latter achievements; and it is certainly true that economic doctrines have, in recent years, received some useful developments and corrections; at the same time I think it must be admitted that, on the whole, the present condition and prospects of the science are not such as a political economist can contemplate with unmixed satisfaction.

It is now a quarter of a century since Colonel Torrens wrote as follows:—"In the progress of the human mind, a period of controversy amongst the cultivators of any branch of science must necessarily precede the period of unanimity. With respect to Political Economy, the period of controversy is passing away, and that of unanimity rapidly approaching. Twenty years hence there will scarcely exist a doubt respecting any of its fundamental principles."* Five and twenty years have now passed since this unlucky prophecy was uttered, and yet such questions as those respecting the laws of population, of rent, of foreign trade, the effects of different kinds of expenditure upon distribution, the theory of prices—all fundamental in the science—are still unsettled, and must still be considered as "open questions," if that expression may be applied to propositions which are still vehemently debated, not merely by sciolists and smatterers, who may always be expected to wrangle, but by the professed cultivators and recognized expounders of the science.† So far from the period of controversy having passed, it seems hardly yet to have begun—controversy, I mean, not merely respecting propositions of secondary importance, or the practical application of scientific doctrines (for such controversy is only an evidence of the vitality of a science, and is a necessary condition of its progress), but controversy respecting fundamental principles which lie at the

* *Essay on the Production of Wealth*, Introduction, p. xiii. 1821.

† *Vide* APPENDIX A.

root of its reasonings, and which were regarded as settled when Colonel Torrens wrote.

This state of instability and uncertainty as to fundamental propositions is certainly not favourable to the successful cultivation of Political Economy—it is not possible to raise a solid or durable edifice upon shifting quicksands ; besides, the danger is ever imminent of reviving that scepticism respecting all economic speculation, which at one time so much impeded its progress. It would, indeed, be vain to expect that Political Economy should be as rapidly and steadily progressive as the mathematical and physical sciences. Its close affinity to the moral sciences, as has been often pointed out, brings it constantly into collision with moral feelings and prepossessions which can scarcely fail to make themselves felt in the discussion of its principles ; while its conclusions, intimately connected as they are with the art of government, have a direct and visible bearing upon human conduct in some of the most exciting pursuits of life. Add to this, that the technical terms of Political Economy are all taken from popular language, and inevitably partake, in a greater or less degree, of the looseness of colloquial usage. It is not, therefore, to be expected that economic discussions should be carried on with the same singleness of purpose, or severity of expression and argumentation,—consequently with the same success,—as if they treated of the ideas of number and extension, or of the properties of the material universe.

Such considerations will, no doubt, account for

much of the instability and vicissitude which have marked the progress of economic inquiry ; but I do not think they are sufficient to explain the present vacillating and unsatisfactory condition of the science in respect to fundamental principles. To understand this, I think we must advert to circumstances of a more special character, and, more particularly, to the effect which the practical successes achieved by Political Economy (as exemplified in the rapid and progressive extension of the commerce of the country since the adoption of free trade) have had on the method of treating economic questions.

When Political Economy had nothing to recommend it to public notice but its own proper and intrinsic evidence, no man professed himself a political economist who had not conscientiously studied and mastered its elementary principles ; and no one who acknowledged himself a political economist discussed an economic problem without constant reference to the recognized axioms of the science. But when the immense success of free trade gave experimental proof of the justice of those principles on which economists relied, an observable change took place both in the mode of conducting economic discussions, and in the class of persons who attached themselves to the cause of Political Economy. Many now enrolled themselves as political economists who had never taken the trouble to study the elementary principles of the science ; and some, perhaps, whose capacities did not enable them to appreciate its evi-

dence : while even those who had mastered its doctrines, in their anxiety to propitiate a popular audience, were too often led to abandon the true grounds of the science, in order to find for it in the facts and results of free trade a more popular and striking vindication.* It was as if mathematicians, in order to attract new adherents to their ranks, had consented to abandon the method of analysis, and to rest the truth of their formulas on the correspondence of the almanacks with astronomical events. The severe and logical style which characterized the cultivators of the science in the early part of the century has thus been changed to suit the different character of the audience to whom economists now address themselves. The discussions of Political Economy have been constantly assuming more of a statistical character ; results are now appealed to instead of principles ; the rules of arithmetic are superseding the canons of inductive reasoning ;† till the true course of investigation has

* See an article in the *Edinburgh Review*, April, 1854, on "the consumption of food in the United Kingdom," and compare this with the celebrated "Merchants' Petition" of 1820, the production of Mr. Tooke. With reference to the former I may quote the remark of Mr. Tooke :—"It is necessary, even in setting forth the successes of a just policy, that no violence should be done to established modes of reasoning, or to the facts of the case as they really exist."

† The error as to method complained of, is the opposite of that of "*anticipatio naturæ*," which was the bane of science when Bacon wrote, and against which his most vigorous attacks were directed. Nevertheless, (and it is a proof as well of the philosophic sagacity for which he was so distinguished, as of the perfect sobriety of his mind) the great reformer was not so carried away by his opposition to the prevailing abuse, as to overlook the danger of its opposite.

been well nigh forgotten, and Political Economy seems in danger of realizing the fate of Atalanta,

"Declinat cursus, aurumque volubile tollit."

It has been remarked by Mr. Mill that "in whatever science there exist, amongst those who have attended to the subject, what are commonly called differences of principle, as distinguished from differences of matter-of-fact or detail,—the cause will be found to be a difference in their conceptions of the philosophic method of the science. The parties who differ are guided, either knowingly or unconsciously, by different views concerning the nature of the evidence appropriate to the subject."* Now this appears to me to be strikingly the case with respect to those "differences of principle" to which I have adverted as at present existing amongst economists; and, therefore, I think I cannot better carry out the views of the liberal founder of this chair, than by availing myself of the opportunity which the opening of this course affords of considering at some

In the following passage he describes with singular accuracy, both the error itself to which I have adverted, and the causes of it. "*Quod si etiam scientiam quandam, et dogmata ex experimentis moliantur; tamen semper fere studio præproprio et intempestivo deflectunt ad praxin: non tantum propter usum et fructum ejusmodi praxeos; sed ut in opere aliquo novo veluti pignus sibi arripiant, se non inutiliter in reliquis versaturos: atque etiam aliis se venditent, ad existimationem meliorem comparandam de iis in quibus occupati sunt. Ita fit, ut, more Atalantæ, de via decedant ad tollendum aureum pomum; interim vero cursum interrumpant, et victoriam emittant e manibus.*" *Novum Organum*, lib. I., aph. 70.

* *Essays*, page 141.

length the nature, object, and limits of economic science, and the method of investigation proper to it as a subject of scientific study.

In discussing the nature, limits, and proper method of Political Economy, I shall at once pass over those numerous prepossessions connected with the study of this science, some of a moral, some of a religious, and some of a psychological nature, which so much impeded its early advances. To enter at any length into such considerations would be to occupy your time in travelling over ground which probably you have already traversed, or which, at all events, it is in your power to traverse in other and more edifying company; and to waste my own in combating objections, which either have ceased to exist, or, if they do exist, exist in spite of repeated refutations—refutations the most complete and irrefragable, to which I could hope to add nothing of point or weight, and which I should only weaken by translating them into my own language.*

I shall therefore at starting take it for granted that "wealth," the subject-matter of Political Economy, *is* susceptible of scientific treatment; that there *are* laws of its production and distribution; that mankind in their industrial operations are *not* governed by mere caprice and accident, but by motives which act extensively and constantly, which may therefore be discovered and classified, and made to serve as the principles of subsequent deductions. I shall further

* See particularly Whately's Introductory Lectures on Political Economy.

take it for granted that a knowledge of these laws of the production and distribution of wealth is a desirable and useful acquisition, both as a part of a liberal education, and for the practical purposes to which it may be applied ; and, further, that this knowledge is more likely to be obtained by careful and systematic inquiry than by what is called the common sense of practical men—another name for the crude guesses of unmethodized experience ; and, lastly, I shall assume that the study of those principles and motives of human conduct which are brought into play in the pursuit of wealth is not incompatible with the sentiments and duties of religion and morality.

The definition of Political Economy cannot be said to be as yet agreed upon.* That which has been laid

* It is not however to be supposed from this that the science itself has made no progress. As has been pointed out by Mr. J. S. Mill, "the definition of a science has almost invariably not preceded, but followed, the creation of the science itself. Like the wall of a city, it has usually been erected, not to be a receptacle for such edifices as might afterwards spring up, but to circumscribe an aggregation already in existence. Mankind did not measure out the ground for intellectual cultivation before they began to plant it ; they did not divide the field of human investigation into regular compartments first, and then begin to collect truths for the purpose of being therein deposited ; they proceeded in a less systematic manner. As discoveries were gathered in, either one by one, or in groups resulting from the continued prosecution of some uniform course of inquiry, the truths which were successively brought into store cohered and became agglomerated according to their individual affinities. Without any intentional classification, the facts classed themselves. They became associated in the mind according to their general and obvious resemblances ; and the aggregates thus formed, having to be frequently spoken of as aggregates, came to be denoted by a common name. Any body of truths which had thus acquired a collective denomination was called a science." &c.—*Essays*, page 120.

down by the best English authorities is as follows :—
 “Political Economy is the science which states the laws regulating the production and distribution of wealth, so far as they depend on the action of the human mind.”* In the view taken of the character and limits of Political Economy by the economists who have propounded or adopted this definition I substantially agree, and in the course of this and the following lectures shall endeavour to vindicate its propriety, but it appears to me that the language of the definition does not correctly describe that character and those limits as expounded by its authors. I shall, therefore, venture to substitute for the definition which I have just read, one or other of the two

* *Vide* Senior's “Introductory Lectures,” p. 36. The definition of Mr. M'Culloch, viz :—“the science of the laws which regulate the production, distribution, and consumption of those articles or products that have exchangeable value, and are at the same time, necessary, useful, or agreeable to man,” though perhaps sufficient for the purpose of conveying to a learner a general preconception of the subject of his studies, is obviously deficient, as has been pointed out by Mr. Mill, in the requirements of scientific precision ; there being scarcely a law of nature physical or moral which does not directly or indirectly influence “the production, distribution, and consumption of wealth.” The definition which I have given in the text from Mr. Senior is substantially the same as that which Mr. Mill had given in his Essay. This definition, Mr. Mill thinks, “though for popular use amply sufficient, still falls short of the complete accuracy required for the purposes of the philosopher.” Finally he gives (p. 140) the following definition as fulfilling the required conditions, viz : “The science which traces the laws of such of the phenomena of Society as arise from the combined operations of mankind for the production of wealth, in so far as these phenomena are not modified by the pursuit of any other object.” My reasons for not adopting this definition will appear in a subsequent lecture.

following ; either of which I think sufficiently meets the requirements of the case. "Political Economy is the science, which, accepting as ultimate facts the principles of human nature and the physical laws of the external world, investigates the laws of the production and distribution of wealth which result from their combined operation." Or, "Political Economy is the science which traces the phenomena of the production and distribution of wealth up to their causes, in the principles of human nature and the laws and events of the external world."* Reserving for a future occasion the vindication of this change, I shall for the present confine myself to the consideration of those points in which the received definition and those which I have proposed, agree.

Whichever be the definition which we adopt, it appears, first, that Political Economy has "wealth" for its subject-matter ; and, secondly, that it is a science, and not an art.

First, the subject-matter of Political Economy is wealth. On no ground has Political Economy met with more opposition than on what has been called "its exclusive devotion to wealth."† The various objections

* Of the two definitions proposed, the sole difference is that the latter is somewhat more extensive than the former, including not only the discovery of laws, but the explanation of phenomena. The word "law" is not introduced into the latter definition, because the explanation of a phenomenon presupposes the discovery of the law or laws on which it depends.

† *Vide* Whately's Introductory Lectures on Political Economy, page 11.

of a popular kind which have been advanced against the study upon this ground, it is not my intention to notice at any length, for reasons which have been already assigned. I shall only remark that these objections almost all resolve themselves into this—that there are matters of importance which are not included within the range of Political Economy—an objection which seems to proceed upon the assumption that Political Economy is intended as a general curriculum of education, and not as a means of eliciting truths of a specific kind.* Thus a late writer in the *North British Review* speaks slightly of Political Economy as “a fragmentary science.” Now what is the value of this objection? Does the writer mean that Political Economy is a fragment of universal knowledge? This may be granted, and yet the point of the objection be still not very apparent, unless we suppose that he designed to advocate some “great and comprehensive science,” such as that which Thales and his contemporaries had in view when they inquired—“what is the origin of all things?” Indeed if the history of scientific progress teaches any lesson more distinctly than another, it is, that human research has generally been successful just in proportion as its

* “Que l'économie politique ne s'occupe que des intérêts de cette vie, c'est une chose évidente, avouée. Chaque science a son objet qui lui est propre. Si elle sortait de ce monde, ce ne serait plus de l'économie politique, ce serait la théologie. On ne doit pas plus lui demander compte de ce qui se passe dans un monde meilleur, qu'on ne doit demander à la physiologie comment s'opère la digestion dans l'estomac des anges.” *Say*, vol. 1, page 48, third edition.

objects have been strictly limited and clearly defined; that is to say, in proportion as science has become "fragmentary."

But, passing by popular objections, it cannot be denied that the limitation of Political Economy to the single subject of wealth has been objected to by some economists of reputation and authority, who have, accordingly, in their treatment of the science, extended the range of its inquiries; embracing in the same discussion, in addition to the laws of wealth, everything which affects the well-being of society. The objections to this course appear to me to be fundamental and insuperable.

In the first place, the great variety of interests and considerations included under the expression "social well-being" would seem to render the comprehension of them in one system of doctrines difficult, if not impracticable. But the fundamental defect in this mode of treatment—in the attempt to combine in the the same discussion the laws of wealth and the laws of society—consists in this, that even where the subject-matter of the two inquiries is identical, even where the facts which they consider are the same, yet the relations and aspects under which these facts are viewed are essentially different. The same things, the same persons, the same actions are discussed with reference to a different object, and, therefore, require to be classified on a different principle.

If our object, for example, were to discover the laws of the production and distribution of wealth, those

instruments of production, the productiveness of which depends on the same conditions, and those persons whose share in the products of industry is governed by the same principles, should, respectively, be placed in the same categories ; while, if our object were the larger one of social interests and relations generally, we might require a very different arrangement. Thus superior mental power, regarded with a view to the production of wealth, is an instrument of production perfectly analogous to superior fertility of soil ; they are both monopolized natural agents ; and the share which their owners obtain in the wealth which they contribute to produce, is regulated by precisely the same principles. Men of genius, therefore, and country gentlemen, however little else they may have in common, yet being both proprietors of monopolized natural agents, would in an inquiry into the laws of wealth be properly placed in the same class. In the same way, the wages of a day labourer and the salary of a minister of state depend on the same principle—the demand for and supply of their services ; and these persons, therefore, so widely different in their social position and importance, would be included by the economist in the same category. On the other hand, farmers and landlords, who, with a view to social inquiries, would probably be ranked together as belonging to the agricultural interest, would, if our object were the narrow one of the discovery of the laws of wealth, be properly placed in different classes : the income of the farmer depending on the laws

which regulate the rate of profit, while that of the landlord depends on the laws which regulate rent ; those laws being not only not the same, but generally varying in opposite directions.

M. Say is, perhaps, the most distinguished of those writers who have treated Political Economy as the science of society, and nowhere are the inconveniences of this method more distinctly brought into view than in his valuable treatise : indeed it appears to me that most of the errors into which, notwithstanding the general merits of his work, he has fallen, are to be traced to this source. No one, I think, can peruse much of his book without perceiving (and the same remark may be made with respect to most of the French writers on Political Economy with whose works I am conversant) that his reasoning on economic problems is throughout carried on with a side glance at the prevalent socialistic doctrines. An inevitable consequence of this is—his object being quite as much to defend society and property against the attacks of their enemies as to elucidate the theory of wealth—that questions respecting the distribution of wealth are constantly confounded with the wholly different questions which the justification upon social grounds of existing institutions involves ; and thus problems purely economic, come, under his treatment of them, to be complicated with considerations which are entirely foreign to their solution.

Thus he tells us* that rent, interest, and wages are

* Vol. 1, pp. 213 and 215.

all perfectly analogous ; each giving the measure of utility which the productive agency (of which each respectively is the reward) subserves in production. Rent, according to this theory, does not depend on the different costs at which, owing to the physical qualities of the soil, agricultural produce is raised, nor profit on the cost of labour, nor wages on demand and supply,* but each on the utility of the functions which land, capital, and labour respectively perform in the creation of the ultimate product. Thus the distinct economic laws which regulate the distribution of wealth amongst the proprietors of these three productive agencies are confounded, in order to introduce a *moral* argument in defence of the existing structure of society, and to place the three classes of landlords, capitalists, and labourers on the same footing of social convenience and equity.

Dr. Whewell, in examining the cause of the failure of physical philosophy in the hands of the ancient Greeks, finds it in the circumstance that they introduced into their physical speculations ideas inappropriate to the facts which they endeavoured to solve. It was not, he tells us, as is commonly supposed, that they undervalued the importance of facts ; for it appears that Aristotle collected facts in abundance ; nor yet that there was any dearth of ideas by which

* M. Say, it is true, in another part of his work, vol. 2, p. 45, states the law of wages correctly as depending on demand and supply, but the doctrine alluded to in the text is no less distinctly stated. The doctrines are, no doubt, irreconcilable, but with this I am not concerned.

to generalize the facts which they accumulated ; but that, instead of steadily and exclusively fixing their attention on the purely physical ideas of force and pressure, they sought to account for external phenomena by resorting to moral considerations—to the ideas of strange and common, natural and unnatural, sympathy and horror, and the like ; the result, of course, being that their inquiries led to nothing but fanciful theorizing and verbal quibbling.*

Now the introduction into economic discussions of such considerations as those to which I have adverted in the example given from M. Say, appears to me to be an error of precisely the same kind as that which was committed by the ancient Greeks in their physical speculations, and one to which the method adopted by M. Say, of embracing in the same discussion the principles and foundation of society with the economic laws of wealth, seems almost inevitably to lead. The writer who thus treats Political Economy, labours under a constant temptation to wander from those ideas which are strictly appropriate to his subject into considerations of equity and expediency which are

* Sir John Herschel's explanation of the failure is substantially the same. "Aristotle," he says, "at least, saw the necessity of having recourse to nature for something like principles of physical science ; and, as an observer, a collector and recorder of facts and phenomena, stood without an equal in his age. It was the fault of that age, and of the perverse and flimsy style of verbal disputation which had infected all learning, rather than his own, that he allowed himself to be contented with vague and loose notions drawn from general and vulgar observation, in place of seeking carefully, in well arranged and thoroughly considered instances, for the true laws of nature."

proper only to the more extensive subject of society. Instead of addressing himself to the problem, according to what law certain facts result from certain principles, he proceeds to explain how the existence of the facts in question is consistent with social well-being and natural equity ; and generally succeeds in deluding himself with the idea that he has solved an economic problem, when, in fact, he has only vindicated a social arrangement.

The objections, therefore, to this method of treating Political Economy, resting as they do on the incompatible nature of the investigations which it seeks to combine, are fundamental. Even if it should be thought desirable to give the *name* of Political Economy to the larger inquiry, it would still be necessary to reserve for separate and distinct investigation the laws of the production and distribution of wealth.

But, secondly, the definition represents Political Economy as a science and not as an art. The distinction between these two ideas is thus very clearly pointed out by Mr. Mill. "These two ideas," he says,* "differ from one another as the understanding differs from the will, or as the indicative mood in grammar differs from the imperative. The one deals in facts, the other in precepts. Science is a collection of truths; art a body of rules, or directions for conduct. The language of science is, This is, or, This is not ; This does, or

* Essays, p. 124.

does not happen. The language of art is, Do this, Avoid that. Science takes cognizance of a *phenomenon*, and endeavours to discover its *law*; art proposes to itself an *end*, and looks out for means to effect it."

In conformity with this distinction, it is the province of Political Economy to observe phenomena, and to discover their laws; it does not undertake to supply practical rules, or to recommend particular policies; "although," to quote again from the same author, "unless it be altogether a useless science, practical rules must be capable of being founded upon it. The science of mechanics, a branch of natural philosophy, lays down the laws of motion, and the properties of what are called the mechanical powers. The art of practical mechanics teaches how we may avail ourselves of those laws and properties, to increase our command over external nature. An art would not be an art unless it were founded upon a scientific knowledge of the properties of the subject-matter: without this it would not be philosophy, but empiricism; *ἐμπειρία* not *τέχνη* in Plato's sense. Rules, therefore, for making a nation increase in wealth, are not a science, but they are the results of a science. Political Economy does not of itself instruct how to make a nation rich; but whoever would be qualified to judge of the means of making a nation rich, must first be a political economist."

Into the reasons for treating Political Economy as a science rather than an art, it is not necessary that I should enter at any length. They will be found

stated with admirable fullness and clearness in the introductory essays of Mr. Mill and Mr. Senior. I may, however, mention an incidental advantage which arises from this way of regarding the study, which I am not aware that they have noticed.

It is scarcely to be expected, as I have already remarked, that discussions which have so direct a bearing upon questions of conduct in some of the most important duties of life as those of Political Economy, should ever be carried on with the same pure and disinterested regard to truth as discussions in mathematics or astronomy, in which no human interests are immediately concerned ; but, if we would approximate to that desirable state of feeling, certainly our wisest course is to keep the discussion of the general principles of the science completely clear from the advocacy of the particular practical measures which may be founded upon them. Those who have not yet addressed themselves to the study of Political Economy will be more likely to do so, and to do so with candour and impartiality, if they feel that, whatever be the conclusions at which they may arrive, these will not necessarily commit them to any positive political course ; that, having satisfied themselves as to the general law, it will still remain open to them to consider the expediency of its application in any given contingency.

I believe too that, even with a view to making converts to practical measures, it is the more expedient course to keep distinct the discussion of general

principles from the question of the propriety of their practical application. The dispassionate attention of the objector being once secured, and the truth being ascertained with reference to the abstract principle, his opposition will, if founded upon mere prejudice, at once disappear ; on the other hand, if it rest upon solid considerations, the grounds of it will at least be narrowed—we shall have fixed the precise point upon which the objection turns, which is certainly the most important condition towards its removal.

Again, by drawing the line broadly between theory and practice, this further advantage is gained : Political Economy ceases to be burdened with the various schemes and nostrums, financial and political, of its adherents, the confounding of which with the conclusions of the science has, I think, hitherto tended much to check its progress and to prejudice it unfairly in the eyes of the public.

There is no reason whatever that a political economist should dogmatize on questions of general politics, or even on those which arise in the more limited field of taxation and finance. There is no question of the kind which does not involve many other than purely economic considerations—considerations of time, of place, of convenience, of morality, perhaps of public faith. Even such questions as those connected with the maintenance of a public debt, or the imposition of an income tax, cannot be satisfactorily discussed without taking into account, in the one case, the reciprocal obligations of successive generations, in the

other, the effect of such impositions upon public morality, points with respect to which the most profound knowledge of the principles of the production and distribution of wealth affords no security against error.

For these reasons it appears plainly desirable that a clear severance should be made between the measures which may be advocated by economists, and the doctrines of the science which they teach ; in other words that Political Economy should be treated as a science and not as an art.

I need scarcely add that it is not by this intended that a political economist should be precluded from pointing, when he sees occasion, to the practical applications of his doctrines. All that is desired is that he should distinguish between such applications and the principles of the science ; that the discussion of the laws of the production and distribution of wealth should not be encumbered with the necessity of defending or refuting measures, the propriety of which must often be determined by other than purely economic considerations.

LECTURE II.

OF THE MENTAL AND PHYSICAL PREMISES OF POLITICAL ECONOMY, AND OF THE LOGICAL CHARACTER OF THE DOCTRINES THENCE DEDUCED.

IN my last lecture I stated that, according to the best English authorities, Political Economy is defined as "the science which states the laws regulating the production and distribution of wealth, so far as they depend on the action of the human mind." I also observed that, while agreeing substantially in the views, as regards the nature and limits of the science, of those who propounded this definition, yet the language of the definition did not appear to me correctly to represent those views. I therefore ventured to propose a change of phraseology, and offered two definitions, either of which appeared to me to fulfil the necessary requirements. These definitions were as follows, viz., "the science, which, accepting as ultimate facts the principles of human nature, and the physical laws of external nature, investigates the laws of the production and distribution of wealth which result from their combined operation;" or this—"the science which traces the phenomena of the production and

distribution of wealth up to their causes, in the principles of human nature and the laws and events of the external world." The points in which the received definition and either of those which I proposed agree, were then stated and illustrated at some length. It remains now that I should advert to the points in which they differ, and state the grounds on which the proposed change is to be vindicated.

According to the received definition, then, Political Economy is represented as being conversant with the laws of the production and distribution of wealth, so far forth only as these laws "depend on the action of the human mind ;" and, its business being thus restricted to the tracing of the operation of mental laws, to the exclusion of physical, it is represented as a purely mental or moral science. I have altered this part of the definition, because I conceive that the province of Political Economy is not so narrow as this language represents it ; no economists, not even the authors of the definition in question, having ever yet been content to confine their investigations within the limits here prescribed. It appears to me, on the contrary, that the laws and phenomena of wealth, which it belongs to Political Economy to explain, depend equally on physical as on mental laws, that Political Economy stands in precisely the same relation to physical as to mental nature, and that, if it is to be ranked in either of these departments of speculation, it is as well entitled to be placed in the one as in the other.

The expressions "physical," and "mental," as applied to science, have hitherto been employed to designate those branches of knowledge of which physical and mental phenomena respectively form the subject-matter. Thus, Chemistry is considered as a physical science because the subject-matter on which chemical inquiry is exercised, viz., external nature, is physical. Psychology, on the other hand, is a mental science ; the subject-matter of it being mental states and feelings. And as the office of the chemist consists in observing and analyzing material objects with a view to discovering the laws of their elementary constitution ; so, that of the psychologist consists in endeavouring, by means of reflection on what passes in his own mind, to ascertain the laws by which the phenomena of our mental constitution succeed and produce each other. If this be a correct statement of the principle on which the designations " mental" and " physical" are applied to the sciences, it seems to follow that Political Economy does not find a place under either category. Neither mental nor physical nature forms the *subject-matter* of the investigations of the political economist. He does not consider the laws according to which physical phenomena take place, nor yet those according to which mental phenomena take place. The subject-matter of his science is wealth, which is neither a purely physical nor a purely mental object, but possesses a complex character, equally derived from both departments of nature, and the laws of which are neither mental nor physical laws, though they are

dependent, and as I maintain, dependent equally on the laws of matter and on those of mind.

Let us consider, for example, the causes which determine the rate of wages. This, it will be admitted on all hands, is an economic problem. It is evident that the objects which the labourer receives are material objects, but those material objects are invested by the mind with a peculiar attribute in consequence of which they are considered as possessing value ; and it is in their complex character, as physical objects invested with the attribute of value, that the political economist considers them. The subject-matter, therefore of the wages-problem possesses qualities derived alike from physical and from mental nature ; consequently, if it is to be denominated from the nature of its subject-matter, it is equally entitled or disentitled to the character of a physical or mental problem.

But it is said that Political Economy considers the problem no further than as it depends on the action of the human mind. The food and clothing which the labourer consumes have, no doubt, physical properties, as the labourer himself has a physical as well as a mental nature ; but with the physical properties, we are told, the political economist has no concern : he considers those objects so far forth only as they possess value, and value is a purely mental conception. But is this true ? Does the political economist—does Mr. Senior, *e. g.*, in his purely scientific treatment of this question—entirely put out of consideration the physical properties of the commodities which

the labourer consumes, or the physiological conditions on which the increase of the labouring population depends? What is the solution of the wages-problem? Wages, it will be said, depend on demand and supply; or, more explicitly, on the relation between the amount of capital applied to the payment of wages, and the number of labourers seeking employment. But the amount of capital employed in the payment of wages depends, amongst other causes, on the productiveness of industry in raising the commodities of the labourer's consumption—a circumstance which is equally dependent on the laws of physical nature as on the mental qualities which the workman brings to his task. The number of labourers seeking employment, again, depends, amongst other causes, on the laws of population; while these are determined as much by the physiological laws of the body, as the psychological laws of the mind; the political economist taking equal cognizance of both.

It thus appears that, as the subject-matter of Political Economy, viz., wealth, possesses qualities derived equally from the world of matter as from that of mind, so its premises are equally drawn from both these departments of nature. The latter point, indeed, is admitted by those economists who nevertheless, by what appears to me to be a strange oversight, represent the science as investigating the laws of wealth no further than as they depend on the laws of the human mind.

But perhaps this point will be made more clear—

the equal dependence, namely, of the science of Political Economy on the laws of the physical world and on those of the human mind—if we consider that a change in the character of the former laws will equally affect its conclusions with a change in that of the latter. The physical qualities of the soil, *e. g.* under the present constitution of nature are such, that, after a certain quantum of cultivation has been applied to a limited area, a further application is not attended with a proportionate return. The proof of this is, that, instead of confining cultivation to the best soils, and forcing them to yield the whole amount of food that may be required, it is found profitable to resort to soils of inferior quality.*

* This doctrine has been denied, and some curious arguments have been advanced in refutation of it. The topic most insisted on by those who controvert it is the superior productiveness of agricultural industry in the United Kingdom *at present*, as compared with that which prevailed in former periods, notwithstanding the greater amount of capital now employed in agriculture. This argument would be good for something if all the other conditions of the problem were the same; but it is certain that they are not the same, and that they differ precisely in the point that is of importance—the superior skill with which capital and industry are at present applied. No economist, that I am aware of, has ever said that a small and unskilful application of capital to land would necessarily be attended with greater proportional returns than a larger outlay more skilfully applied; and it is to this assertion only that the argument in question applies.

But it is important to remark that the attempt to meet the doctrine in question by statistical data implies a total misconception, both of the fact which is asserted, and of the *kind* of proof which an economic doctrine requires. The doctrine contains, not an historic generalization to be tested by documentary evidence, but a statement as to an existing physical fact, which, if seriously questioned, can only be conclusively determined by actual experiment upon the existing soil. If

This physical fact, as every Political Economist knows, and as shall be explained on a future occasion, leads, through the play of human desires in the pursuit of wealth, to the phenomenon of rent, to the fall of profits as communities advance, and to a retardation

any one denies the fact, it is open to him to refute it by making the experiment. Let him show that he can obtain from a limited area of soil any required quantity of produce by simply increasing the outlay—that is to say, that, by quadrupling or decupling the outlay, he can obtain a quadruple or decuple return. If it be asked why those who maintain the affirmative of the doctrine do not establish their view by actual experiment, the answer is, that the experiment is performed for them by every practical farmer; and that the fact of the diminishing productiveness of the soil, is proved by their conduct in preferring to resort to inferior soils, rather than force unprofitably soils of better quality.

Mr. Carey, the American economist, has endeavoured to meet this reasoning by urging, that the conduct of farmers in resorting to inferior soils after the better qualities have been all taken into cultivation no more constitutes a proof that industry on the superior soils has become less productive, than the conduct of a cotton spinner in building a second factory, when his first is full, is a proof that manufacturing industry tends to become less productive, as manufacturing capital and labour increase. This is, in other words, to say, that the reason farmers do not increase their outlay on the soils of superior quality is, not because it would be unprofitable to do so, but for the same reason which limits the amount of capital and the number of hands employed in a cotton mill, namely, that, the necessary conditions of space being taken into account, it would be *impossible to do so*. No one who holds the received theory of rent will hesitate to stake the doctrine upon this issue. When any sane farmer in the United Kingdom, or in any other quarter of the civilized world, will give the same answer to the question—"why he does not manure more highly, or drain more deeply, or plough more frequently, a given field", which Mr. Carey gives—viz. "want of room", the disciples of Ricardo will be prepared to abandon their master; but, *till* this specimen of bucolic exegesis is produced, they will probably retain their present views.

in the advance of population. If the fact were otherwise, if the physical properties of the soil were such as to admit of an indefinite increase of produce in undiminished proportion to the outlay by simply increasing the outlay—if *e. g.*, it were found that by doubling the quantity of manure upon a given acre and by ploughing it twice as often, a farmer could obtain a double produce, and by quadrupling them, a quadruple produce, and so on *ad infinitum*; if this were so, the science of Political Economy, as it at present exists, would be as completely revolutionized as if human nature itself were altered—as if benevolence, for example, were so strengthened at the expense of self-love, that human beings should refuse to avail themselves, at the expense of their neighbours, of those special advantages with which nature or fortune may happen to invest them; under such a change in the physical qualities of the soil rent would disappear, profits would have no tendency permanently to fall, and population in the oldest countries might advance as rapidly as in the newest colonies.

I am therefore disposed to regard Political Economy as belonging neither to the department of physical nor to that of mental inquiry, but as occupying an intermediate position, and as referable to the class of studies which includes historical, political, and social investigations. The class appears to me to be a class *sui generis*, having for its subject-matter the complex phenomena presented by the concurrence of physical, physiological, and mental laws, and for its

function the tracing of such phenomena to their physical, physiological, and mental causes.

Thus, to take an example from Political Economy, rent is a complex phenomenon, arising (as has been already intimated) from the play of human interests when brought into contact with the actual physical conditions of the soil, in relation to the physiological character of vegetable productions. If these physical conditions were different, if capital and labour could be applied to a limited portion of the soil indefinitely with undiminished return, a small portion only of the best land in the country would be cultivated, and no farmer would consent to pay rent : on the other hand, if the principle of self-interest were absent, no landlord would exact it. Both conditions are indispensable, and equally indispensable, to the existence of rent : they are the premises from which the theory is deduced. It is for the political economist to prove, first, that the premises are true in fact ; and, secondly, that they account for the phenomenon ; but when this is done, his business is ended. He does not attempt to explain the physical laws on which the qualities of the soil depend ; and no more does he undertake to analyze the nature of those feelings of self-interest in the minds of the landlord and tenant which regulate the terms of the bargain. He regards them both as facts, not to be analyzed and explained, but to be ascertained and taken account of ; not as the subject-matter, but as the basis of his reasonings. If further information be desired, recourse must be

had to other sciences : the physical fact he hands over to the chemist or the physiologist ; the mental to the psychological or the ethical scholar.*

The position of Political Economy, in this respect, appears to me to be entirely analogous to that of Geology in relation to the sciences of Mechanics, Chemistry, and Physiology. The complex phenomena presented by the constitution of the earth's crust form the subject-matter of the science of the geologist ; they are the complex result of mechanical, chemical, and physiological laws, and the business of the geologist is to trace them to these causes ; but, having done this, his labours as a geologist are at an end : the further investigation of the problem belongs not to Geology, but to Mechanics, Chemistry, and Physiology.

The premises, or ultimate facts, of Political Economy being thus drawn alike from the world of matter and from that of mind, it remains that I should indicate the character of those facts, physical and mental, which are to be regarded as belonging to the science ; in other words, that I should show in what manner the facts which are pertinent to economic investigations are to be distinguished from those which are not. The answer to this question must in general be determined by considering what the science proposes to accomplish. This, as you are aware, is the discovery of the laws of the production and distribution of wealth. The facts, therefore, which constitute

* Appendix B.

the premises of Political Economy are those which influence the production and distribution of wealth ; and in order that the science should be absolutely perfect, so that an economist might predict the course of economic phenomena with the same accuracy and certainty with which an astronomer predicts the course of celestial phenomena, it would be necessary that these premises should include every fact, mental and physical, which influences the phenomena of wealth.

It does not, however, seem possible that this degree of perfection should ever be attained. In Political Economy, as in all those branches of inquiry which include amongst their premises at once the moral and physical nature of man, the facts to be taken account of are so numerous, their character so various, and the laws of their sequence so obscure, that it would seem scarcely possible to ascertain them all, much less to assign to each its exact value. And even if this were possible, the task of tracing these principles to their consequences, allowing to each its due significance, and no more than its due significance, would present a problem so complex and difficult as probably to defy the powers of the most accomplished reasoners.

But although this is so, and although, therefore, neither Political Economy, nor any of the class of inquiries to which it belongs, may ever be expected to reach that perfection which has been attained in some of the more advanced physical sciences, yet this does

not forbid us to hope that, by following in our economic investigations the same course which has been pursued with such success in physical science, we may attain, if not to absolute scientific perfection, at least to the discovery of solid and valuable results.

The desires, passions, and propensities which influence mankind in the pursuit of wealth are, as I have intimated, almost infinite ; yet amongst these there are some principles of so marked and paramount a character as both to admit of being ascertained, and, when ascertained, to afford the data for determining the most important laws of the production and distribution of wealth, in so far as these laws are affected by mental causes. To possess himself of these is the first business of the political economist : he has then to take account of some leading physiological facts connected with human nature ; and lastly to ascertain the principal physical characteristics of those natural agents of production on which human industry is exercised. Thus he will consider, as being included amongst the paramount mental principles to which I have alluded, the general desire for wealth, the aversion to labour, the consequent desire to obtain wealth at the least possible sacrifice, the intellectual power of judging of the efficacy of means to an end ; he will further duly weigh those propensities which, in conjunction with the physiological conditions of the human frame, determine the laws of population ; and, lastly, he will take into account the physical qualities of the soil and of those other natural agents on which the

labour and ingenuity of man are employed. These facts, whether mental or physical, he will consider, as I have already stated, not with a view to explain them, but as the data of his reasoning, as leading causes affecting the production and distribution of wealth.

But it must not be thought that, when these cardinal facts have been ascertained and their consequences duly developed, the labours of the political economist are at an end, even supposing that his treatment of them has been exhaustive and his reasoning without a flaw. Though the conclusions thus arrived at will, in the main, correspond with the actual course of events, yet great and glaring discrepancies will frequently occur. The data on which his speculations have been based include indeed the grand and leading causes which regulate the production and distribution of wealth, but they do not include all the causes. Many subordinate influences (subordinate, I mean, in relation to the purposes of Political Economy) will intervene to disturb, and occasionally to reverse the operation of the more powerful principles, and thus to modify the resulting phenomena. The next step, therefore, in his investigations, will be to endeavour as far as possible to ascertain the character of those subordinate causes, whether physical or mental, which influence human conduct in the pursuit of wealth, and these, when he has found them and is enabled to appreciate them with sufficient accuracy, he will incorporate amongst the axioms of the science, as data to be taken account of in his future speculations.

Thus any great discovery in the arts of production, such, *e. g.* as the steam-engine, will be a new fact for the consideration of the political economist; it will be for him to consider its effect on the productiveness of industry or the distribution of its products; how far and in what directions it is calculated to affect wages, profits, and rent, and to modify those conclusions to which he may have been led by reasoning from the state of productive industry previous to its introduction. It will be like the discovery to an astronomer of a new planet, the attraction of which, operating on all the heavenly bodies within the sphere of its influence, will cause them more or less to deviate from the path which had been previously calculated for them. It is a new force, which, in speculating on the tendencies of economic phenomena, the political economist will include as a new datum amongst his premises.

In the same way, also, those motives and principles of action which may be developed in the progress of society—so far as they may be found to affect the phenomena of wealth—will also be taken account of by the political economist. He will consider, *e. g.* the influence of custom in modifying human conduct in the pursuit of wealth; he will consider how, as civilization advances, the estimation of the future in relation to the present is enhanced, and the desire for immediate enjoyment is controlled by the increasing efficacy of prudential restraint; he will also observe how ideas of decency, comfort, and luxury are developed as society progresses, modifying the natural

force of the principles of population, influencing the mode of expenditure of different classes, and affecting thereby the distribution of industrial products.

As I have already remarked, it is scarcely possible that all these circumstances should be ascertained, or accurately appreciated ; but it seems quite possible that some of the most important of them may, with sufficient accuracy at least to be made available as data for subsequent deductions, and be entitled to a place among the premises of the science. And in proportion as this is done, in proportion to the completeness of its premises and to the skill with which they are reasoned upon, will the science of Political Economy approximate towards that perfection which has been attained in other branches of knowledge ; in the same degree will its conclusions correspond with actual events, and its doctrines become safe and reliable guides to the practical statesman and the philanthropist.

Having now considered the character and limits of Political Economy, I shall conclude this lecture by adverting briefly to a point—not, as might at first sight seem, of purely theoretic importance, on which some high authorities are at variance. I allude to the question whether Political Economy be a positive or a hypothetical science.

It does not appear that the meaning of the terms “positive” and “hypothetical,” as they have been used in this controversy, has been precisely fixed, and I am disposed to think that the difference of opinion which prevails may, in a great measure, be resolved into

an ambiguity of language. Let us consider, then, what is to be understood by the terms "positive" and "hypothetical" when applied to a science.

In the first place, we may describe a science as positive or hypothetical with reference to the character of its premises. It is in this sense that we speak of mathematics as a hypothetical science, its premises being all arbitrary conceptions framed by the mind without any reference to real existences; and it is in this sense that we distinguish it from the positive physical sciences, the premises of which are laid in the existing facts of nature. But "positive" and "hypothetical" may also be used with reference to the conclusions of a science; and in this sense all the physical sciences which have advanced so far as to admit of deductive reasoning must be considered hypothetical, in contradistinction to those less advanced sciences which, being still in the purely inductive stage, express in their conclusions merely observed and generalized facts. The conclusions, *e. g.* of a mechanician or of an astronomer, though correctly deduced from premises representing concrete realities, may have nothing accurately to correspond with them in nature. The mechanician may have overlooked the disturbing influence of friction. The astronomer may have been ignorant of the existence of some planet, the attractive force of which may be an essential element in the solution of his problem. The conclusions of each, therefore, when applied to facts, can only be said to be true *in the absence of disturbing causes*;

which is, in other words, to say that they are true on *the hypothesis* that the premises include all the causes affecting the result. The correspondence of such deductions with facts may, according to the circumstances of each case, possess any degree of probability, from a mere presumption in favour of a particular result to a probability scarcely distinguishable from absolute certainty. This will depend on the degree of perfection which the science has attained ; but whatever be that degree of perfection, from the limited nature of man's faculties he can never be sure that he is in possession of all the premises affecting the result, and therefore can never be certain that his conclusions represent positive realities. Speaking, therefore, with reference to the conclusions of those physical sciences in which deductive reasoning is employed, such sciences must be regarded as hypothetical.

On the other hand, in those sciences which have not advanced far enough to admit of deductive reasoning, such laws as they have arrived at, being mere generalized statements of observed phenomena, represent not hypothetical but positive truth. Such are the generalized facts in geology and in many of the natural sciences.

Now Political Economy seems in this respect plainly to belong to the same class of sciences with Mechanics, Astronomy, Optics, Chemistry, Electricity, and, in general, all those physical sciences which have reached the deductive stage. Its premises are not arbitrary figments of the mind, formed without any reference

to concrete existences, like those of Mathematics ; nor are its conclusions mere generalized statements of observed facts, like those of the purely inductive natural sciences. But, like Mechanics or Astronomy, its premises represent positive facts ; whilst its conclusions, like the conclusions of those sciences, when applied to the realities of the external world, may or may not correspond with them, and therefore must be considered as representing only hypothetical truth.

It is positively true, *e. g.* to assert that men desire wealth, that they are averse to labour, and that consequently they desire to obtain wealth with the least exertion of labour possible ; and it is a logical deduction from this principle, that, where perfect liberty of action is permitted, labourers will seek those employments, and capitalists those modes of investing their capital, in which, respectively, wages and profits are highest. It is further a necessary consequence of this principle, that, were it constantly acted upon, the same rate of profit and the same rate of wages would prevail all over the world. Yet so far is this from being the case, that there are scarcely two countries in which wages and profits (meaning thereby the average rate of each) are not permanently different. The French labourer will content himself with the rate of wages which prevails in France, rather than cross the Atlantic for a double remuneration. The English capitalist will prefer eight or ten per cent. profit with English society to the quadruple returns of California or Australia. The same inequality which we find in

the average rates of wages and profits prevailing in different countries, we find also in a less degree in the different departments of productive industry in the same country. What in the former case is done by the love of country to control the simple desire for wealth and aversion to labour, and to modify the resulting phenomena, is done in the latter by opinions and prejudices respecting the degree of credit or respectability attaching to particular trades and employments, such as prevail in every civilized community.

It is evident, therefore, that an economist, arguing from the unquestionable facts of man's nature—the desire of wealth and the aversion to labour—and arguing with strict logical accuracy, may yet, if he omits to notice other principles also affecting the question, be landed in conclusions which have no resemblance to existing realities. But he can never be certain that he does not omit some essential circumstances, and, indeed, it is scarcely possible to include them all: it is evident, therefore, that, as is the case in those deductive physical sciences to which I have alluded, his conclusions will correspond with facts *only in the absence of disturbing causes*, which is, in other words, to say that they represent not positive but hypothetical truth.

It thus appears that Political Economy, according as we consider it with reference to its premises or to the doctrines deduced from them, must be considered in the one case as a positive, in the other as a hypo-

thetical science. It is however to be remarked that that portion of the science which represents positive truth—its premises, namely, or the facts mental and physical upon which it rests—belongs to it in common with many other sciences and arts. All that is properly speaking Political Economy is that system of doctrines which has been, or may be, deduced from those premises; and all this represents, as I have shown, hypothetical truth. It appears to me, therefore, clearly proper that Political Economy should be classed as a hypothetical science

But in thus describing Political Economy, I have ventured to dissent from the high authority of Mr. Senior. I shall therefore read you the passage in which he expresses his objections to regarding Political Economy as a hypothetical science :—

“The hypothetical treatment of the science appears to me to be open to three great objections. In the first place, it is obviously unattractive. No one listens to an exposition of what might be the state of things under given but unreal conditions, with the interest with which he hears a statement of what is actually taking place.

“In the second place, a writer who starts from arbitrarily assumed premises is in danger of forgetting, from time to time, their unsubstantial foundation, and of arguing as if they were true. This has been the source of much error in Ricardo. He assumed the land of every country to be of different degrees of fertility, and rent to be the value of the difference be-

tween the fertility of the best and of the worst land in cultivation. The remainder of the produce he divided into profit and wages. He assumed that wages naturally amount to neither more nor less than the amount of commodities which nature or habit has rendered necessary to maintain the labourer and his family in health and strength. He assumed that, in the progress of population and wealth, worse and worse soils are constantly resorted to, and that agricultural labour, therefore, becomes less and less proportionately productive; and he inferred that the share of the produce of land taken by the landlord and by the labourer must constantly increase, and the share taken by the capitalist constantly diminish.

“ This is a logical inference, and would consequently have been true in fact, if the assumed premises had been true. The fact is, however, that almost every one of them is false. It is not true that rent depends on the difference in fertility of the different portions of land in cultivation. It might exist if the whole territory of a country were of uniform quality. It is not true that the labourer always receives precisely the necessaries, or even what custom leads him to consider the necessaries of life. In civilised countries he almost always receives much more; in barbarous countries he from time to time obtains less. It is not true that as wealth and population advance, agricultural labour becomes less and less proportionately productive. . . . Mr. Ricardo was certainly justified in assuming his premises, provided

that he was always aware, and always kept in mind, that they were merely assumed. This, however, he seems sometimes not to know, and sometimes he forgets. Thus he states, as an actual fact, that in an improving country the difficulty of obtaining raw produce constantly increases. He states as a real fact, that a tax on wages falls not on the labourer but on the capitalist.

“A third objection to reasoning on hypothesis is its liability to error, either from illogical inference, or from the omission of some element necessarily incident to the supposed case. When a writer takes his premises from observation and consciousness, and infers from them what he supposes to be real facts, if he have committed any grave error, it generally leads him to some startling conclusion. He is thus warned of the probable existence of an unfounded premise, or of an illogical inference, and if he be wise, tries back until he has detected his mistake. But the strangeness of the results of an hypothesis gives no warning. We expect them to differ from what we observe, and lose, therefore, this incidental means of testing the correctness of our reasoning.”*

With regard to the criticisms on Ricardo, I may perhaps have an opportunity of adverting to them on some future occasion. I shall merely at present say that they appear to me to be unjust. But what I am more immediately concerned in remarking is that the

* Introductory Lecture on Political Economy, 1852, p. 63.

objections of Mr. Senior to the hypothetical treatment of Political Economy, so far as they possess weight, do not apply to this mode of treatment as I have just described it. According to that description, Political Economy has been represented as deriving its premises from existing facts ; it was to the inferences drawn from those premises only that the term "hypothetical" was applied ; but, as these inferences constituted the whole of what is properly called Political Economy, I conceived that Political Economy was properly designated as a hypothetical science. But it is to the character not of the conclusions but of the premises that Mr. Senior's objections apply. "A writer," he says, "who starts from *arbitrarily assumed premises* is in danger of forgetting their unsubstantial foundation." "No one listens to an exposition of what might be the state of things under *given but unreal conditions*, with the interest with which he hears a statement of what is actually taking place." "The strangeness of the results of an hypothesis gives no warning." It is evident that these are no objections to a system of doctrines which is founded, not on an hypothesis, but on facts.

Mr. Senior's language indeed would seem to imply that, if the premises have a foundation in existing facts, the conclusions logically deduced from them must represent actual phenomena. Speaking of Ricardo's reasoning, he says, "This was a logical inference, and would *consequently* have been true in fact, if the assumed premises had been true." But it is surely

possible that the premises should be true, and yet incomplete—true so far as the facts which they assert go, and yet not including all the conditions which affect the actual course of events. The laws of motion and of gravity are not arbitrary assumptions, but have a real foundation in nature ; and it is a strictly logical deduction from those laws that the path of a projectile is in the course of a parabola ; yet, in point of fact, no projectile accurately describes this course ; the friction of the air, which was not included in the premises, coming in to disturb the operation of the other principles. In the same way (as I have already shown by several illustrations, and as will appear more fully hereafter) the doctrines of Political Economy, though based upon indubitable facts of human nature and of the external world, do not necessarily represent, and scarcely ever precisely represent, existing occurrences. Indeed, Mr. Senior in another passage fully admits this. “ We shall not,” he says, “ it is true, from the fact that by acting in a particular manner a labourer may obtain higher wages, a capitalist larger profits, or a landlord higher rent, be able to infer the further fact, that they will certainly act in this manner ; but we shall be able to infer that they will do so *in the absence of disturbing causes.*” This concedes the only point for which I contend—the point, namely, that the conclusions of Political Economy do not necessarily represent actual events. The facts thus being agreed upon, the question is reduced to the verbal one, viz : whether a science, the doctrines of which correspond

with external realities only "in the absence of disturbing causes," is properly described as a positive or hypothetical science. It appears to me that a proposition cannot correctly be said to represent "positive truth" which corresponds with facts only when no disturbing causes intervene—this condition, moreover, being one which is scarcely ever realized. Nor do I think the description would be less objectionable, even though, as Mr. Senior afterwards remarks, it were "frequently" possible "to state the cases in which these causes may be expected to exist, and the force with which they are likely to operate." On the other hand, as I have already admitted, if the term be used, not with reference to what are properly the doctrines of Political Economy, but to the grounds on which these doctrines are built, Political Economy is as well entitled to be considered a "positive science" as any of those physical sciences to which this name is commonly applied.

This point, however, as I have said, is a purely verbal one, and as such is of little importance, provided the real character of the principles in question be borne in mind. This character, as I have endeavoured to establish, is identical with that of the physical principles which are deduced from the laws of gravitation and motion ; like these, the doctrines of Political Economy are to be understood as asserting not what *will* take place, but what *would* or what *tends* to take place, and in this sense only are they true.

If this admission constitute an objection to Political Economy,* it is equally an objection to astronomy,

* Mr. Jennings (*Natural Elements of Political Economy*, p. 4) disposes of this defence of economic doctrine in the following fashion :—
 “The doubting pupil is now dismissed with the assurance that the principles of Political Economy which he has been taught, if not true, have a tendency to be true; that if found imperfect in the *abstract* [quare, concrete ?] they are perfect in the *concrete* [quare, abstract ?], and that an allowance must always be made for the influence of disturbing causes.”

I don't know that any further reply need be made to this than that given in the text, namely, that whatever be the value of the objection, it applies to the whole body of physical as well as moral science. In no other sense is a physical law true than as expressing “a tendency” influencing matter. Whether the result in any given case be such as the law or tendency in question would lead us to expect, will depend, in the physical as in the moral world, upon the other causes which happen to coexist with it. The reason that attention has been drawn more to the influence of disturbing causes in the political and moral than in the physical sciences is sufficiently obvious. In those physical sciences which are sciences of observation, as astronomy, the principles are few in number and perfectly definite in character; while in those physical sciences, as, *e. g.* chemistry, in which the principles are more numerous and complex, we can avail ourselves of experiment. In the former case, all the causes influencing the result are known and their effect may be calculated; in the latter, all that are not required may be eliminated. But in the moral and political sciences in which we have to deal with human interests and passions, the agencies in operation at any given time in any given society are numerous, while, being in this case precluded from experiment, we are unable to prepare the conditions beforehand with a view to preserving the necessary *ceteris paribus*.

A chemist states that certain salts when brought into the same solution will react on each other, and yield an insoluble precipitate. A Political Economist states that certain causes have certain effects on the production and distribution of wealth. Whether either of these statements be true in a given case, will depend upon whether the condition *ceteris paribus* (expressed or implied) be fulfilled. The chemist, however, can produce the necessary condition by excluding from

mechanics, and to all those physical sciences which combine deductive with inductive reasoning.

the solution every thing that would interfere with the result which he predicts ; while the political economist can only bring his principle into operation in human societies as he finds them. In the case, therefore, of an economic principle the result is almost always modified by causes different from that respecting which the assertion called an economic law is made, while in physical science we can obtain simple results, or complex only to the extent which may suit our purpose.

LECTURE III.

OF THE LOGICAL METHOD OF POLITICAL ECONOMY.

IN adverting, in the opening of this course, to the differences of opinion now existing respecting many fundamental principles in Political Economy, I stated that these discrepancies appeared to me to be chiefly traceable to the more loose and popular method of treating economic questions which has of late years come into fashion ;—and I further stated that this change in the character of economic discussions was, as I conceived, mainly attributable to the practical success of economic principles in the experiment of free trade—a success which, while it attracted a new class of adherents to the cause of Political Economy, furnished its advocates also with a new description of arguments.

The method which we pursue in any inquiry must be determined by the nature and objects of that inquiry. I was thus led in my opening lectures to consider the nature and objects of Political Economy. In the present and following lectures I proceed to discuss the method which, having regard to what

Political Economy proposes to accomplish, it is proper to pursue in its investigations.

Let me recall briefly the description I have given of the nature and objects of Political Economy. You will remember I defined Political Economy as the science which investigates the laws of the production and distribution of wealth, which result from the principles of human nature as they operate under the actual circumstances of the external world. I also stated that those mental principles and physical conditions are taken by the Political Economist as ultimate facts, as the premises of his reasonings, beyond which he is not concerned to trace the causes of the phenomena of wealth. I next considered the nature of those ultimate facts, physical and mental, and found that, although so numerous as to defy distinct specification, there are yet some, the existence and character of which are easily ascertainable, of such paramount importance in relation to the production and distribution of wealth, as to afford a sound and stable basis for deducing the laws of those phenomena. The principal of these I stated to be, 1st, the desire for wealth, and aversion to labour implanted in human beings ; 2ndly, the principles of population as derived from the physiological character of man and his mental propensities ; and 3rdly, the physical qualities of the natural agents, more especially land, on which human industry is exercised. I also showed you that the most important of the subordinate principles affecting the production and distribution of wealth, which come in

to modify and sometimes to reverse the operation of the more cardinal principles, are also capable of being ascertained and appreciated, with sufficient accuracy at least to be taken account of in our reasonings, if not to be made the premises of future deductions; and of these also I gave several examples.

This, then, being the character of Political Economy, we have to consider by what means the end which it proposes—the discovery of the laws of the production and distribution of wealth—may be most effectually promoted. The guide to which we here naturally turn is the analogy of the physical sciences. In the application of this analogy, however, we must be careful not to be misled by an appearance of agreement where the circumstances are essentially dissimilar. The propriety of the method must in each case be ultimately determined by the character of the evidence which is in each case available, and we shall find that in this respect the physical sciences and Political Economy are by no means on the same footing.

The first attempts at physical discovery have always been made by the observation and classification of physical phenomena. This classification has generally at first taken place according to the most obvious relations which present themselves to our notice in physical objects. Further examination and analysis of the results thus obtained have led to the discovery of more important and intimate relations, which have been made the grounds of higher and more comprehensive inductions; and this process has been con-

tinued, till at length it has become possible to conjecture, and at last to establish by satisfactory proof, the existence and character of the physical causes of which our previous generalizations were merely the result and evidence.

To this indirect and circuitous process physical discoverers have necessarily had recourse, owing to the circumstance that ultimate physical truths are not susceptible of any more direct proof. We can have no direct proof, *e. g.* of the law of gravitation, or of the laws of motion. We do not find them in our own consciousness, by reflecting on what passes in our minds ; nor can they be made apparent to our senses. That every particle of matter in the universe gravitates, each towards the rest, with a force which is directly according to the mass and inversely according to the square of the distance,—or that a body once set in motion will, if unimpeded by some counter force, continue for ever in motion in the same direction and with unimpaired velocity,—these are propositions which can only be established by an appeal to the intellect ; the proof of all such laws ultimately resolving itself into this, that, assuming them to exist, they account for the phenomena. As, therefore, we are incapable of perceiving directly the ultimate causes of physical phenomena, or the mode of their operation, if these causes are to be discovered at all, they can only be discovered by conjecturing or inferring them from the effects which they produce—in the language of Lord Bacon, by the “interpretation of nature,”—

by endeavouring to decipher in the phenomena themselves the causes and laws on which they depend.*

Now in this quality of the higher laws of physical nature—their non-susceptibility of direct proof—we have to note the first and most important point in which the analogy of the physical method becomes inapplicable to Political Economy. In our search after the causes of the production and distribution of wealth, we are not left to conjecture them from the mode of their operation as exemplified in the phenomena of wealth. In order to know why a farmer engages in the

* I may notice here, by the way, the wholly different purpose to which hypothesis is turned in physical and economic science. In the former, hypotheses are the steps by which all great generalizations are accomplished. The several fundamental laws in the different physical sciences, such as the law of gravity, the undulatory theory of light, the atomic theory, were at one time hypotheses in the common acceptance of the word, and have passed through all the gradations of probability, from that of a mere presumption in their favour up to absolute, or nearly absolute, certainty. Even still they differ in no other respect from hypotheses which are more commonly considered as such, than in the greater number and variety of the facts which they explain. In economic science, on the other hand, the ultimate laws (as I have endeavoured to show in the text) being either mental intuitions or physical facts susceptible of direct sensible proof, *never pass through the hypothetical stage*. Hypothesis here is only useful in the development of principles already established. Thus the diminishing productiveness of the soil being established or admitted, the doctrine of rent is deduced from it by reasoning on a hypothesis framed to suit the object of the inquiry. In the same way, if we desire to ascertain the tendency of any given cause—such, *e. g.* as the new gold discoveries—we resort to some hypothesis, or assumed case, under which we suppose the principle in question to come into operation; and then, from our knowledge of human motives in the pursuit of wealth, observe the result which will ensue.

production of corn, why he cultivates his land up to a certain point, and why he does not cultivate it further, it is not necessary that we should derive our knowledge from a series of generalizations proceeding upwards from the statistics of corn and cultivation, to the mental feelings which stimulate the industry of the farmer on the one hand, and, on the other, to the physical qualities of the soil on which the productiveness of that industry depends. It is not necessary to do this—to resort to this circuitous process—for this reason, that we have, or may have if we choose to turn our attention to the subject, direct knowledge of these causes in our consciousness of what passes in our own minds, and in the information which our senses convey, or at least are capable of conveying to us, of external facts. Every one who embarks in any industrial pursuit is conscious of the motives which actuate him in doing so. He knows that he does so from a view to his own interest—from a desire, for whatever purpose, to possess himself of wealth ; he knows that, as far as his information extends, he will pursue his course in the shortest way open to him ; that, if not prevented by artificial restrictions, he will buy such materials as he requires in the cheapest market, and sell the commodities which he produces in the dearest. Every one feels that in selecting an industrial pursuit, where the advantages are equal in other respects, he will select that in which he may hope to obtain the greatest profit on his capital ; or that in seeking for an investment for what he has realized, he will, where the security is equal, choose those stocks in which the

rate of interest to be obtained is highest. With respect to the other causes on which the production and distribution of wealth depend—the physical properties of natural agents, and the physiological character of human beings in regard to their capacity for increase—for these also direct proof, though of a different kind, is available ; proof which appeals not indeed to our consciousness, but to our senses. Thus, *e. g.* the law of the diminishing productiveness of the soil to repeated applications of capital, if seriously questioned, is capable of being established by direct physical experiment upon the soil, of the result of which our senses may be the judges. If political economists do not perform this experiment themselves in order to establish the fact, it is only because every practical farmer performs it for them. In the case of the physical premises, therefore, of Political Economy, equally with the mental, we are entirely independent of those refined inductive processes by which the ultimate truths of physical science are established.

The grand primary axioms, then, of Political Economy being established by the evidence, which is suitable to them—those of them which are mental by a direct appeal to our consciousness, those of them which are physical by the direct testimony of our senses,—the mode of investigation henceforth to be pursued will in general be analogous to that which is practised in the physical sciences at the same stage—that is to say, after the most important fundamental laws have been established. Guided by this analogy, which now for the first time becomes applicable, our course will be

to develop by means of deductive reasoning the consequences which result from those primary principles in the production and distribution of wealth. These consequences will represent economic laws, which will be true precisely in the same sense in which a mechanical or astronomical law is true, viz. on the hypothesis that the phenomena it describes are not influenced by any disturbing cause, in other words, by some force or principle other than those included in the premises of our reasonings.

In the further prosecution of economic inquiry, our course will still be guided by the analogy of physical science at the corresponding stage. Thus, having by means of deductive reasoning arrived at certain general conclusions, we shall proceed to compare the conclusions thus obtained with existing facts. It is here that statistics come in as a useful and indeed indispensable auxiliary in the discovery of the laws of wealth. You will remember that, when describing on a former occasion the premises of Political Economy, I stated that, besides those cardinal principles which are the predominant forces regulating the production and distribution of wealth, there are certain subordinate influences which also affect very sensibly the general result. The connection of these with the phenomena of wealth is of a much more subtle and recondite character than that of the former principles, and does not readily discover itself to the abstract thinker. In order to the detection of these, it is necessary that attention be drawn to the effects which

they produce, and these effects are best brought to light by observation of the discrepancy which frequently occurs between actual events and those which our *a priori* reasoning would lead us to anticipate. Now the function of statistics in relation to Political Economy is to afford us the means of instituting the comparisons which are necessary in order to bring such discrepancies into view. Where the results of statistical investigation are at variance with the conclusions of Political Economy, we are inevitably forced into one or other of these conclusions ; either our reasoning is incorrect, or we have omitted from our premises some principle affecting the result. If there be no defect in the logical process, we are then sent in search of the new principle or disturbing cause which has produced the discrepancy.

It is important to observe that the relation of statistics to Political Economy is in no respect different from that in which it stands to other sciences *at the same stage*. The registered observations of the astronomer are the statistics of astronomy, which it is his business to compare with the deductions of pure science. This combination of the inductive with the deductive method constitutes, we are told by the highest authorities,* the most powerful engine for the prosecution of new physical discoveries.† In those

* Vide Herschel's Natural Philosophy, p. 175.

† " For example : the return of the comet predicted by Professor Encke, a great many times in succession, and the general good agreement of its calculated with its observed place during any one of its periods of visibility, would lead us to say that its gravitation towards the sun and planets is the sole and sufficient cause of all the phe-

sciences which admit of experiment, as *e. g.* chemistry, formal statistics are, it is true, little used. Statistics here are unnecessary, because experiment affords, only in a more efficacious way, the means of instituting the same comparison. What are known by the chemist as "residual phenomena" are precisely analogous to those discrepancies between the conclusions of the economist and the facts of the statistician to which I have been adverting, and lead in the same way to the discovery of new elements or principles before overlooked.

The course of economic inquiry will thus proceed like that of the analogous physical sciences, by alternate inductive and deductive processes, establishing ultimate principles ; then tracing these to their consequences ; then comparing the conclusions thus obtained with the actual phenomena, with a view to the discovery of new principles, from which again we may proceed to new conclusions.

Such is the method of investigation to be followed in Political Economy, which the nature of the evidence available as well as the analogy of the physical phenomena of its orbital motion ; but when the effect of this cause is strictly calculated and subducted from the observed motion, there is found to remain behind a *residual phenomenon*, which would never have been otherwise ascertained to exist, which is a small anticipation of the time of its reappearances or a small diminution of its periodic time, which cannot be accounted for by gravity, and whose cause is therefore to be enquired into. Such an anticipation would be caused by the resistance of a medium disseminated through the celestial regions ; and as there are other good reasons for believing this to be a *vera causa*, it has therefore been ascribed to such a resistance."—*Herschel's Natural Philosophy*, p. 156.

sciences, so far as they correspond with it in character, would suggest ; and such also is the method which has in fact been followed, whether it has been distinctly stated or not, by all those writers, from Adam Smith to Mr. J. S. Mill, who have contributed most effectually to the advancement of economic knowledge. Those principles of the science which require no proof, depending directly upon consciousness, as, for example, the desire for wealth and the aversion to labour, they have silently assumed, proceeding at once to argue on them without formally stating them. Those which are liable to dispute, such as the physical properties of productive agents, and the physiological character of human beings in relation to their capacity of increase, they have established by such evidence as is suitable. The celebrated essay of Malthus on Population, *e. g.* is almost wholly devoted to the establishment and illustration of the two latter principles—viz. the capacity of human beings to multiply their species, and the capacity of the earth under assumed conditions of agricultural skill to yield subsistence. The foundations of the primary principles being thus laid, they have proceeded to consider the consequences which result in the production and distribution of wealth ; how these principles, coming into action under the guidance of human intelligence, lead naturally to the division of labour, to the mutual interchange of products amongst the different producers, to the use of money as a medium of exchange, and, as communities advance, to the rise of rent, and

the slower progress of population. They have proceeded then to trace the general laws of value, of rent, of profits, and of wages, which result from the operation of the same principles. But the conclusions thus arrived at being frequently found to differ in various degrees from the observed facts, their attention has thus been drawn (in strict conformity with the order which I have described) to the influence of subordinate principles in modifying the force of the more powerful causes. Thus, the chapter of Adam Smith on the different rates of wages in different employments is wholly an inquiry into the nature and force of such secondary principles. The chapter of Ricardo on "foreign trade," and those of Mr. J. S. Mill on "international values," are inquiries of a similar character; the object being to discover those special causes which, in the case of international exchanges, intervene to modify the general laws of value. Again, Mr. Senior's essay "on the cost of obtaining gold" is an example of the same kind.

But perhaps the best example of the use of statistics in the advancement of economic science is afforded by Mr. Tooke in his well known History of Prices. One of the first and most elementary principles in the theory of money is that, *cæteris paribus*, the value of money is inversely as its quantity. In the discussions which took place during the earlier part of the present century on the phenomena of prices and the circulation, this principle was assumed as true, not simply hypothetically, *i. e.* in the absence

of disturbing causes, but as representing the sole, or at least principal, cause regulating general prices. By the ultra-bullionists on the one hand, and by the advocates of an inconvertible currency on the other, it was alike taken for granted that all fluctuations in the prices of commodities are to be attributed, at least in a principal degree, to alterations in the amount of money, including under that term coin and bank-notes.* Now the result of Mr. Tooke's elaborate examination of the history and statistics of that period was to show that no such correspondence between prices and the circulation, as these different authorities assumed, was in fact to be found. Here, then, was an example of that discrepancy between the conclusions of abstract reasoning and actual phenomena, which it is the business of statistical investigation to bring to light. The inevitable inference, therefore, was, either that the logical process by which these conclusions had been established was unsound, or that some cause

* To such an extent did this delusion prevail, that the celebrated Bullion Committee of 1810, in its admirable though not faultless report, finding that the note circulation had at that time increased in amount, and concluding from other considerations that it was excessive, took it for granted without inquiry, that "the prices of all commodities had risen." (Report, p. 11.) I say without inquiry, 1st, because no witnesses with reference to this point were examined, and 2ndly, because, had they inquired, it is certain they would have found the facts to be precisely the reverse of what they had assumed; the reaction consequent upon the excessive speculation of 1809 and 1810 having then taken place, and the general markets being in a state of extraordinary depression. *Vide* Tooke's History of Prices, vol. I., chap. 5, section 2. Mr. Huskisson, in his "Question, &c. stated," also makes the same assumption.

influencing the phenomena had been overlooked.* Mr. Tooke showed that a mistake in both these respects had been committed ; 1st, a mistake of reasoning, which failed to discriminate between the character of money (properly so called)† in its effect upon prices, and that of notes issued by banks in the form of loans ; and 2nd, a mistake in overlooking the disturbing influence which other forms of credit, equally with bank notes, when employed as purchasing power, exercise upon prices. The further investigation of this question by Mr. Tooke has resulted in a theory of prices, which, as regards the connexion between prices and the note circulation, directly reverses many of the former maxims ; showing that the amount of the note circulation, instead of being the efficient cause which determines and regulates the general level of prices, is itself in some degree the consequence of the

* It is not, to be supposed that the discrepancy alluded to goes the length of invalidating the elementary law that, *ceteris paribus*, the value of money is inversely as its quantity. This still rests upon the same basis of mental and physical facts as every other doctrine of Political Economy, and must always constitute a fundamental principle in the theory of money. It merely showed that in the practical case the condition *ceteris paribus* was not fulfilled. The fact in question is no more inconsistent with the economic law, than the non-correspondence of a complex mechanical phenomenon with what a knowledge of the elementary laws of mechanics might lead a tyro to expect, is inconsistent with these elementary laws. A guinea dropped through the air from a height falls to the ground more quickly than a feather ; yet no one would on this account deny the doctrine that the accelerating power of gravity is the same for all bodies.

† See *Tooke's History of Prices*, vol. iv., chap. 2, section 2.

range of prices which happens to prevail ; and, in addition, affording for the first time an explanation of a large and important class of economic phenomena.

Such, then, is the method of inquiry in Political Economy, which not only the nature of the case suggests, but which analogy and authority alike support.

In order to illustrate more clearly the character of this method, and the assistance which a clear apprehension of it may afford in discussing economic questions, I shall take a particular example of an economic law, and examine the nature of the assertion which it contains, and the kind of proof by which it may be established or refuted.

It is a very fundamental law in Political Economy, that "cost of production regulates the value of freely produced commodities." By the "cost of production" of a commodity I may as well explain, is meant the quantity of labour and abstinence which is necessary in order to produce that commodity ; and by the expression "freely produced commodities" is to be understood commodities which may be produced in any required quantity, by any one who chooses to go to the trouble and expense of producing them. This then being the meaning of the words, let us consider what is the nature of the assertion which is made, when it is said that "cost of production regulates value."

Is it meant that freely produced commodities invariably and without exception exchange for one

another in proportion to their respective costs of production?—in other words, that in every instance in which such commodities are exchanged their costs of production are precisely equal? If this is what the doctrine means, the assertion is clearly untrue. Wheat and barley *e. g.* in this country are freely produced commodities, and a stone of average wheat will, at present prices, exchange for little more than a stone of average barley; but the cost of producing a stone of wheat is very much greater than the cost of producing a stone of barley; so much so that a farmer does not consider himself to be equally well paid if he does not obtain nearly half as much more for the former. Again, take another interpretation, does the doctrine mean that, taking the average of considerable periods, the value of freely produced commodities will be constantly proportioned to the costs of producing them? Neither in this sense can the doctrine bear strict examination. Cotton goods, *e. g.* in this country, and tobacco in America, are freely produced commodities. Any one who has the requisite means at his disposal may engage in the production of either to any extent he pleases; yet, in the exchange of tobacco and manufactured cotton between America and England, even taking the average of long periods, the proportions in which they exchange will not be found to correspond with their respective costs: the quantity of English manufactured cotton which will exchange for a given quantity of American tobacco will, on an average, represent a greater cost.

In what sense, then, is the statement true, that cost of production regulates the value of freely produced commodities? The answer is, it is true hypothetically—in the absence of disturbing causes; or, to express the same thing in a different form, the doctrine expresses not a matter of fact, but a tendency. Thus, to revert to my former example, it is not true, as a matter of fact, that wheat and barley at present exchange in proportion to their respective costs of production; for the quantity of wheat for which a given quantity of barley will exchange represents the result of a greater expenditure of labour and abstinence; but it *is* true that wheat and barley *tend* to exchange in proportion to their costs of production;* and the proof of this is, that the present high price of barley, as compared with that of wheat, will lead to an increased growth of barley and a diminished growth of wheat next season. It may be that the change in the comparative quantities produced will not be sufficient to bring their values into proportion with their costs, in which case a still further increase will take place in the growth of barley the following year, and a still further diminution in the growth of wheat; or it may be that the change will exceed what is necessary, and that the value of barley as measured in wheat may fall below what its cost of production would require; and in this case, the process in the succeeding year will be reversed. But, whatever be the

* When the cost of producing agricultural produce is spoken of as determining its value, the reader will understand that I always speak of the cost of that portion *which is raised at greatest expense*.

result, and however calculation may be defeated by the vicissitudes of the seasons and by other causes, the tendency of its value to approach the cost of its production will be constant and unfailing.* It is like the

* It is contended by Mr. Macleod (*"Theory and Practice of Banking,"* vol. 1, p. 13) that it is not the cost of production which regulates the value of agricultural produce, but the value which regulates the cost. It is, no doubt, true, that in the case of agricultural produce a rise in its value, or (supposing the value of money to be constant) in its price, is generally followed by increased cost of production. On the other hand, a rise in the price of a manufactured article generally leads to a diminished cost; and it would be just as reasonable to say that price regulates cost of production in one case as in the other. What price really regulates is the quantity that shall be produced; an advance in the price of an article beyond its normal level always indicating that the supply is insufficient, and thus leading to increased production. Now it so happens that, in the case of agricultural produce, the smaller the quantity required the less the proportional cost at which it can be obtained, it being the less necessary to resort to any but the most fertile soils; and hence it arises that every advance in price, leading to increased production, is followed generally by increased cost. On the other hand, in the case of manufactured articles, the larger the scale of production, the less generally the proportional cost, owing to the greater room thus afforded for the use of machinery and the division of labour; and, accordingly, the advance in price in this case, leading also to extended production, is generally followed by a diminished cost.

It is evident that in neither case is the cost regulated by the price, but by the quantity required, together with the physical and mechanical conditions under which the article is produced. On the other hand, it is certain that, in both cases, cost is the regulator of price, since whatever be the cost at which the quantity required is produced—whether it be raised or lowered by the extended production—this cost is the point about which the price will permanently oscillate.

Mr. Macleod says that the doctrine that cost of production regulates value means "that a perseverance in producing any article at great expense, if continued long enough, would in the end succeed in raising its value." Mr. Macleod, of course, means "continued long enough" at an unrenumerating price; (for if the price were remunerating, it

tendency of the ocean to a level, which is as constant and certain as the law of gravity, though probably no single square yard of its surface may even for a moment actually attain it. In the example, however, which I have given of barley and wheat, though the proportions in which these two articles exchange may never at any given moment strictly conform to their costs of production, still, if the average were struck over an extensive period, the correspondence would probably be found to be in most cases wonderfully accurate; just as the average elevation of a cork thrown on the surface of the ocean would be found to represent the level which the whole surface constantly tended to approach. But, in the other example of the exchange of cotton goods and tobacco between England and America, this would not be the case. As I have already observed, if we were to take the average proportions over a considerable period in which these two articles are exchanged, this average would not be found to correspond with their respective costs of production.

would be in proportion to cost of production, and there would be no point in the argument) but such a case is economically impossible. All Ricardo's reasonings, indeed the reasonings of all economists that I have met with except Mr. Macleod, proceed upon the assumption that self-interest is the motive to production. A case, therefore, which supposes "a perseverance in producing" without an adequate remuneration—that is to say, without an adequate motive—is simply out of the pale of Political Economy. Cost of production would not indeed, under the circumstances supposed, regulate value; but no more would demand and supply nor any other principles that can be imagined. "Value," in short, would no longer have any meaning, since exchange, with the feelings of self-interest which dictate it, would cease to exist.

Is it then true that the law fails in this instance ? I answer, that it no more fails than the law of gravitation fails when its force is neutralized by the action of friction. The law operates, but its operation is controlled by the force of another principle which intervenes and modifies the resulting phenomena. The case affords an example of a statement which I made on a former occasion, that a law in Political Economy, though logically deduced from indubitable facts of nature, is yet, when applied to external phenomena, true only hypothetically. Thus the law that cost of production regulates the value of freely produced commodities, is a doctrine logically deduced from the unquestionable facts that men desire to obtain wealth, and are averse to labour. Looking simply to these principles, it clearly follows that men desire to obtain wealth at the least possible outlay of labour ; and consequently will not continue to give an article the production of which costs a given amount of labour, for an article which may be obtained for less ; and this is only in other words to say that cost of production regulates value. But this is only true on the hypothesis that no other principle intervenes to disturb the direct operation of the two principles just described. For example, love of country may intervene to disturb their operation. An Englishman may prefer permanently to exchange a pound of manufactured cotton for a quantity of raw tobacco which cost less labour, rather than to go to America to grow tobacco for himself. In international deal-

ings, therefore, a new principle, love of country, comes into play, and modifies the force of the other principles, desire for wealth and aversion to labour; the consequence is, that international values do not follow simply the cost of production. The law of cost of production is here in abeyance, just as the law of gravity may be said to be in abeyance when a weight remains in equilibrio on an inclined plain. But as the law of gravity cannot be said to fail in the latter case, no more can the law of cost of production in the former. Diminish the friction of the plain, and the weight will begin to descend in obedience to the law of gravity. And, in precisely the same way, diminish the obstructions to international communication, diminish the force of international prejudices, and the general laws of value will be found immediately to act, and international values will approach more nearly to the respective costs of production of the articles exchanged.

From this conception of an economic law, as expressing a hypothetical, not a positive, truth; as representing not what actually takes place, but what, putting aside the consideration of all other causes than those from which the doctrine is deduced, *tends* to take place, we can have no difficulty in perceiving the *kind* of proof on which an economic law rests, and the *kind* of arguments, therefore, by which alone, if questioned, it can be refuted.

Not being an assertion respecting the character or sequence of phenomena, it can neither be established

nor refuted by an appeal to the records of phenomena—that is to say, by statistical or documentary evidence ; but, expressing a tendency deduced from certain principles of human nature acting under given physical conditions, it can be established only by proving the existence of such principles and conditions, and showing that the tendency asserted follows as a necessary consequence from these data ; or, if questioned, can be refuted only by showing, either that the principles and conditions assumed do not exist, or that the tendency which the law affirms does not follow as a necessary consequence from this assumption. In economic reasonings, therefore, supposing the logical portion of the process to be sound, the appeal must in all cases ultimately be to consciousness or to some external fact—to some mental or physical law. And this, in fact, has been the kind of proof by which all those principles of Political Economy that can be considered as received doctrines have been established, and the issue to which, in the works of its ablest cultivators, all controverted questions have been ultimately reduced.

Thus, it was by appealing to the principle of self-interest as it operates in commercial transactions, and to the physical properties of the precious metals as portable commodities, that Adam Smith overthrew the dogmas of the mercantile system, and established the doctrines of free trade.

“ No commodities,” he tells us, “ regulate themselves more easily or more exactly according to the effectual

demand than gold and silver; because, on account of the small bulk and great value of those metals, no commodities can be more easily transported from one place to another, from the places where they are cheap to those where they are dear." Here we have a statement of the physical properties of the precious metals. "A country," he goes on to add, "that has no mines of its own must undoubtedly draw its gold and silver from foreign countries, in the same manner as one that has no vineyards of its own must draw its wines. A country that has wherewithal to buy wine will always get the wine it has occasion for; and a country that has wherewithal to buy gold and silver will never be in want of those metals. They are to be bought for a certain price like other commodities, and as they are the price of all other commodities, so all other commodities are the price of those metals. We trust with perfect security that the freedom of trade, without any attention of government, will always supply us with the wine which we have occasion for; and we may trust with equal security that it will always supply us with all the gold and silver which we can afford to purchase or to employ, either in circulating our commodities or in other uses:"*—the reason, though not expressed, being clearly implied, that the same self-interest which is sufficient to induce the wine producers in France and Spain to send us their wines, will be sufficient also to induce the producers of gold and silver to send us

* *Wealth of Nations*, Mc Culloch's edition, 1850, page 190.

these metals, if, as in the former case, we are prepared to give them their value in return.

Again, reasoning against another doctrine of the same school, that the regulation of trade by a system of duties and prohibitions was indispensable to the commercial prosperity of the country, the same writer thus argues. "This is to direct private people in what manner they ought to employ their capitals, and must in almost all cases be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. . . . What is prudence in the conduct of a private family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage. The general industry of the country being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the above-mentioned

artificers, but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage when it is directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or less diminished, when it is thus turned away from producing commodities evidently of more value than the commodity which it is directed to produce."* In all this reasoning, I need scarcely remark, the appeal throughout is to the principle of self-interest. Restrictions on trade, if not useless, are hurtful—are prejudicial to the increase of national wealth, because in the operations of trade men naturally seek their own interest, and, consequently, if left to themselves, will naturally employ their industry in that way in which they have some advantage; the general industry of a country, therefore, will not be diminished by freedom of trade, but only be employed to most advantage—which is in other words to say, employed so as to produce the greatest possible amount of wealth.

It is true, Adam Smith afterwards refers to historical facts, and adduces the cases of Spain and Portugal to show the prejudicial effect of the mercantile system on the trade of those countries. You will observe, however, that, when he has recourse to history, it is always in illustration or confirmation; he never makes it the basis of his doctrines. He first lays the foundation deep in the principles of human nature

* *Wealth of Nations*, p. 200.

and the physical facts of the external world ; the subsequent reference to historical events is merely in illustration of the mode in which the laws thus established operate.

Take another example from one of our greatest economic discoverers. One of the most important discoveries in Political Economy which has been made since the time of Adam Smith is the theory of foreign trade established by Ricardo. "Previous to this," as Mr. J. S. Mill observes, "the theory of foreign trade was an unintelligible chaos." The discovery of Ricardo was briefly this—he showed that the circumstance which determined an interchange of commodities between two nations was not, as had previously been supposed, a difference in the *absolute* cost of producing the commodities exchanged, but a difference in the *comparative* cost. Corn and iron, *e. g.* might both be obtained at less cost in Sweden than in England, and yet no exchange of corn and iron would necessarily take place between Sweden and England ; but if the comparative costs of iron and corn were different in these two countries, the principles of self-interest would inevitably lead to an exchange. And thus it may and often does happen, that a country imports an article from another, though it might be possible to produce the imported article with less cost in the importing country than in that from which it is imported. This, at first view, paradoxical statement, Ricardo thus, by a happy illustration, reduces to its simplest form, and then at once decides by an appeal to self-interest. "Two men,"

he says, "can both make shoes and hats, and one is superior to the other in both employments; but in making hats he can only exceed his competitor by one-fifth or 20 per cent., while in making shoes he can excel him by one-third or 33 per cent.; will it not be for the interest of both that the superior man should employ himself exclusively in making shoes, and the inferior man in making hats?"*

Again, in discussing with M. Say the theory of rent, of profits, of taxation, the question is invariably reduced by Ricardo, either to some acknowledged principle of human action, or to some question of physical fact—to such issues, *e. g.* as the following—What is the productive capacity of the soil? Is the ratio of returns to outlay, *cæteris paribus*, the same, or greater, or less, as the outlay is increased? Does not the conduct of farmers in resorting to inferior soils prove it to be less? In the cultivation of land, therefore, is there not a point at which the returns pay the capital and labour employed in cultivation, and no more? Will not the self-interest of farmers lead them to push cultivation to this point? Will not the same consideration prevent them from pushing it further? Are there not soils of every possible degree of fertility? Are there not some, therefore, which will merely yield an average profit on the outlay, and no more? Will not the competition of farmers, each guided by considerations of individual self-interest, force up the rent of land till the returns merely leave them the average rate of profits on their

* Ricardo's Works, Mc Culloch's edition, p. 77.

capital? Will not the same motive prevent them from raising it further? Is not rent, therefore, determined by the difference between the cost of that portion of agricultural produce which is raised at greatest expense, and that which is raised at less? Supposing a tax on raw produce, the farmer will not pay the tax, for then he would not get the average profits, and rather than submit to less, his self-interest will lead him to withdraw his capital from land. Will he evade the tax by contracting the area of cultivation and giving a lower rent; or will the wants of consumers induce them to give a higher price rather than diminish their consumption? Will, therefore, the equality of profits be effected by a fall in rent, or by a rise in price? On the decision of such points are the laws of rent, of profits, of taxation, made to turn.

These examples, which might be multiplied at pleasure, will suffice to show the *kind* of proof on which the great masters of Political Economy have rested their discoveries, and the *kind* of issues to which they have reduced their controversies. In every case, where the logical process of an opponent is admitted as correct, the appeal has ultimately been to some mental or physical principle—that is to say, their method has been strictly in conformity with what the nature of an economic law, as I have described it, would require.

FOURTH LECTURE.

OF THE SOLUTION OF AN ECONOMIC PROBLEM, AND OF
THE DEGREE OF PERFECTION OF WHICH IT IS SUSCEP-
TIBLE.

IN treating in my last lecture of the method of inquiry proper to Political Economy, I was led to an examination of the nature of the assertion contained in an economic law, and the kind of proof that was required for establishing or refuting it. On these points I arrived at the following conclusions, viz. that an economic law expresses, not the order in which phenomena occur, but a tendency which they obey ; that, therefore, when applied to external events, it is true only in the absence of disturbing causes, and consequently represents a hypothetical, not a positive truth ; that, being deduced by necessary consequence from certain mental and physical principles, it can be established only by establishing the existence of the principles assumed, and showing that by logical necessity they involve the tendency asserted ; and refuted only by proving that the principles do not exist, or that the reasoning is unsound. In all these respects I endeavoured to show that the character of an economic law is strictly analogous to that of those laws of physical nature which are obtained, or which

may be obtained, by deduction from the ultimate principles of the sciences to which they belong.

In alluding, however, to the nature of the proof by which the ultimate premises of Political Economy are established, as compared with the process by which ultimate physical truths are obtained, you will probably remember that I noticed a difference between Political Economy and the physical sciences in this respect ; the ultimate truths on which the existing structure of physical science is based, having been arrived at through a series of inductive steps, proceeding upwards from the empiric generalization of physical phenomena, to the ultimate laws of force and motion on which they depend ; while for the ultimate truths of economic science we are independent of this inductive process, having the direct proof afforded by our own senses and consciousness. The advantage, however, which Political Economy enjoys in this respect over physical science, is perhaps more than compensated by a disadvantage under which it labours in another, which affects very materially the degree of perfection to which it can be brought ; and to this circumstance and the consequences which result from it I proceed now to call attention.

In the more advanced physical sciences, as I have already more than once remarked, a law of nature expresses some general tendency constantly influencing external objects ; and in this respect it is precisely similar to a law in Political Economy ; but in the physical sciences the discovery of a law of nature is never

considered complete till, in addition to the general tendency, an exact numerical expression be found for the degree of force with which the tendency in question operates. "It is the character," says Sir John Herschel,* "of all the higher laws of nature to assume the form of precise quantitative statement. Thus the law of gravitation, the most universal truth at which human reason has yet arrived, expresses not merely the general fact of the mutual attraction of all matter; not merely the vague statement that the influence decreases as the distance increases, but the exact numerical rate at which that decrease takes place; so that, when its amount is known at any one distance, it may be calculated exactly for any other. Thus, too, the laws of crystallography, which limit the forms assumed by natural substances, when left to their own adherent powers of aggregation, to precise geometrical figures with fixed angles and proportions, have the same essential character of strict mathematical expression, without which no exact particular conclusions could ever be drawn from them." To give one example more, the use of the balance has brought chemistry into the category of those sciences the laws of which admit of quantitative statement. The chemist is consequently able, not merely to describe the general nature of the reaction which will take place between certain substances under known conditions, but can give beforehand a numerical state-

* Natural Philosophy, p. 123.

ment of the exact proportions in which the several elements will unite in the resulting compound.

This is a degree of perfection, however, which it does not seem possible that Political Economy should ever attain. A portion of the premises of this science, and that portion which comes most constantly into play in all economic reasonings, consists, as you are aware, of those principles of human nature which influence mankind in the pursuit of wealth. Now, although the general character of these principles may be ascertained, and when stated with sufficient precision may be made the basis of important deductions, yet such principles do not, from their nature, admit of being weighed and measured like the elements and forces of the material world; they are therefore not susceptible of arithmetical or mathematical expression; and hence it happens that, in speculating on results which depend on the positive or relative strength of such principles, perfect precision and certainty are not attainable. Political Economy seems on this account necessarily excluded from the domain of exact science.*

* Mr. Macleod considers Monetary Science, (which he appears to regard as commensurate or nearly so with Political Economy) as "an exact science." In the Introduction to his "Theory and Practice of Banking," vol. 2, p. 25, he writes as follows:—"These principles then act with unerring certainty—they are universally true—human instinct is as certain, invariable, and universal in its nature as the laws of motion—AND THAT IS THE CIRCUMSTANCE WHICH RAISES MONETARY SCIENCE TO THE RANK OF AN EXACT OR INDUCTIVE SCIENCE. It is this which renders it possible to establish it upon as sure, solid, and unimperishable a basis as mechanical science. Alone of all the

This quality of economic doctrines will be made more clear by a few examples.

political sciences its phenomena may be expressed with the unerring certainty of the other laws of nature." Mr. Macleod seems to confound an "exact" with a positive science. In order that a science be "exact," it is necessary, not only that its premises be "universal and invariable," but further, that they be susceptible of precise quantitative statement. If Mr. Macleod can show not only that the character of "human instinct" can be known, but also that its force can be measured, as the force of gravitation, he will then have established a basis for an exact science of Political Economy.

Mr. Jennings, in his "Natural Elements of Political Economy," appears to take the same view. "Our instruments," he says, "though acting on and through the principles of human nature, are found to consist of metallic indices [money] related as parts and multiples, and not less capable of being made subservient to the processes of exact calculation than are the instruments of any purely physical act. The results of these principles when observed may be expressed in figures; as may also the anticipated results of their future operation, or such relations as those of Quantity and Value, Value and Rate of Production may be exhibited in the formulæ and analyzed by the different methods of Algebra and of Fluxions."—pp. 259-260.

There is no doubt that economic results, *when they have happened*, may be expressed in figures; but I apprehend something more than this is requisite to render a science "exact." Mr. Jennings indeed adds, "as may also the *anticipated* results of their future operation;" but the question is, have we such data as will render reliable the results thus obtained? Will our calculations turn out not merely generally, but "exactly" true? Instead of dealing in general terms, let us take a specific case—the determination of the price of corn, and consider what in this instance would be necessary in order to arrive at an "exact" result. The following is taken from Tooke's History of Prices:—"But, further,—supposing that both the results of the harvests and the stock on hand were made known with sufficient approach to accuracy by Government returns, there would yet remain the greatest uncertainty in the corn markets unless the probable extent of the Supplies from abroad could be known. And, granting all these grounds for estimates of actual and forthcoming supplies to be within the power of Government to ascertain, there would be yet another

The decline of profits, as nations advance in wealth and numbers, is a circumstance which has long

influence on prices,—and consequently a cause of fluctuation,—namely, the speculative views operating on the minds of both buyers and sellers in the contemplation of circumstances likely to affect the produce of the next ensuing harvest. From the time of sowing to that of gathering the wheat crop, the casualties of the weather exercise an influence on the markets, and thus cause fluctuations at critical periods of the season. Among the claims put forth for agricultural statistics, it has been required, as a part of the information insisted upon, that there should be periodical Government returns of the appearance of the growing crops.

“These, and other contingencies more or less important, are causes of fluctuation from uncertainty of supply. But assuming, for mere argument sake, the statistics of supply to be perfect, there still remain the uncertainties of demand.

“For the reasons which I have before stated, the variations of *consumption* are on a much smaller scale than those of supply; but the *demand* on the markets may occasionally have a considerable temporary influence on prices, as in the case of the autumn of 1854, of the millers and bakers trying to get into stock, after having left themselves bare. There may likewise be a demand for Exportation to France or to other parts of the Continent. How could any information from Government have supplied the statistics of such a demand? But adopting the extreme and extravagant hypothesis, that all these elements of uncertainty admitted of having great light thrown upon them by statistics and other information published by Government, there would still remain to be solved the problem of what the price ought in consequence to be; and this, I will venture to say, will be found to be an insoluble problem.”—Vol. 5, p. 88, 89.

In order that the problems of Political Economy should be made subservient to “exact” treatment, it would be necessary, not only that “the instruments, on and through which the principles of human nature [in the pursuit of wealth] act,” should be capable of quantitative measurement, but also that the principles themselves, as well as the conditions under which they come into operation, should be also susceptible of exact numerical statement. The most perfect system of weights and measures would never have made chemistry an exact science, if the law of equivalent proportions had not been discovered.

attracted the attention of economists. It has also been observed that, in the course of this progress, a minimum point is attained, beyond which profits do not further decline ; and further, that this minimum is different in different nations. In China, it is stated that profits show no tendency to fall below 30 per cent. per annum ; while in England profits have fallen to 10 per cent., and in other countries the decline has been arrested at other points. Now the point in the descent at which the fall is arrested—that is to say, the minimum rate of profit which can for any considerable time exist in any community, is determined by the strength of a principle which Mr. John S. Mill has called “the effective desire of accumulation.” This “effective desire of accumulation” is a general expression to denote the degree in which the desire for wealth predominates over those principles of human nature which obstruct its operation—such as the love of ease, and the desire for immediate enjoyment natural to man. When a man employs his wealth as capital for the purpose of producing more wealth, he is induced to do this—to abstain from the present enjoyment of what he has accumulated, and to engage in the toils and anxieties of business—by the prospect of adding to the sum-total of his wealth the profit which is to be made by the productive employment of it. If he had not this prospect of profit, he would not employ his acquired wealth for productive purposes at all. He would have no motive to do so. He would either consume it at once ; or, if

he wished to reserve some for consumption in future years, instead of adventuring it without prospect of profit in productive operations, he would convert it into money, and lay it by in some secure place, from which he could withdraw it as occasion required. Now since the prospect of profit is that which induces a man to overcome his natural indolence and to repress his desire for immediate enjoyment, it is evident that the minimum rate of profit which will be sufficient for this purpose, will depend on the degree in which his desire of increasing his wealth predominates over those principles in his nature which oppose that desire—that is to say, his love of ease and the inclination towards immediate enjoyment. The more the former principle predominates over the latter, the smaller will be the prospect of gain which will be sufficient to induce him to engage in the production of wealth—in other words, the lower may profits fall before the decline will be arrested through the absence of sufficient motive. The case then stands thus : owing to certain conditions incident to the character of productive agents, there is a tendency in profits to decline as nations advance in wealth and population ; there is also a point at which the fall is arrested, which point is determined by the strength of the effective desire of accumulation. All the knowledge we are capable of attaining on the subject resolves itself into the general facts—that such tendencies exist, and that such results depend on such conditions ; but, as we have no means of ascertaining the precise strength,

positive or relative, of the principles on which the result depends—independently of the manner in which their operation is exhibited in any particular case—we are unable to say beforehand at what point they may be brought into equilibrium : that is to say, we are unable to say before trial, what may be the minimum of profits which is possible in any given community. Contrast this with the precision which is attainable in physical science. When an astronomer speculates on the course of a comet through space, he does not content himself with telling us as a general fact, that the meteor is under the influence of certain antagonistic forces—that it tends to fly off from the sun under the influence of the momentum with which it is carried, but that at a certain point the force of gravity will overcome this momentum, at which point its course will be reversed ; the astronomer not only tells us this, but tells us, further, the precise distance which the comet must travel before the force of gravity overcomes the momentum with which it moves so as to arrest its outward course ; and he is able to do so, because he not only knows, as a general fact, that those tendencies represented by the laws of gravitation and motion exist, but also is able to obtain an exact numerical expression for the force with which each operates—a degree of precision which, as I have shown you, is not attainable in the case of the principles of Political Economy.

Take another example of the uncertainty which, owing to this indefiniteness in the premises, attaches

itself to the character of the conclusions of economic science.

We know, as a general rule, that human beings will more readily dispense with the luxuries and vanities than with the necessities of life; and we may infer with certainty that, in the absence of disturbing causes, a diminution in the supply of the ordinary food of a country will be followed by a greater proportional rise in its price, than a corresponding diminution in the supply of an article of less imperative necessity—that a diminution, *e. g.* of one-third in the supply of wheat will cause a greater rise in the price of wheat than a proportional diminution in the supply of silk will produce on its price. Some writers, indeed, have attempted to go beyond this general statement, and have expressed in a tabulated form, the rise in the price of food which takes place in the event of certain assumed deficiencies in its quantity. Thus, according to some calculations, it is supposed that a deficiency of one-tenth in the ordinary supply will cause a rise in price to the extent of three-tenths above the ordinary rate; a deficiency of two-tenths a rise of eight-tenths; a deficiency of three-tenths a rise of 1·6; and so on up to a deficiency of one-half, which is said to produce a rise in price equal to four and a-half times the ordinary rate.*

* The following table was given by Gregory King :—

Defect.		Above the common rate.
1 tenth	} raises the price.	3 tenths.
2 do.		8 do.
3 do.		1·6 do.
4 do.		2·8 do.
5 do.		4·5 do.

If, however, we consider for a moment the causes on which a rise of price depends, and the circumstances which determine its extent, it will be evident that no reliance can be placed on the accuracy of such calculations; the conditions essential to such accuracy not being capable of being realized.

The rise which occurs in the price of wheat in consequence of a deficiency in quantity will depend (the amount of the deficiency being given) on two conditions: 1st, the disposition of the people amongst whom the deficiency takes place to sacrifice other gratifications which it may be in their power to command, to the desire of obtaining the usual quantity of their accustomed nutriment; and 2nd, on the extent of the means at their disposal for obtaining other kinds of gratification—that is to say, on their general purchasing power. Now if we could obtain an exact measure of this disposition, as well as of the means of giving effect to it at the command of consumers, and knew also the exact extent of the deficiency in the supply of wheat, we might then give a precise numerical statement of the rise of price which would take place under the assumed circumstances. But it is

On this Mr. Tooke remarks:—"It is perhaps superfluous to add that no such strict rule can be deduced; at the same time there is ground for supposing that the estimation is not very wide of the truth, from observation of the repeated occurrence of the fact, that the price of corn in this country has risen from 100 to 200 per cent. and upwards, when the utmost computed deficiency of the crops has not been more than between one-sixth and one-third below an average, and when that deficiency has been relieved by foreign supplies."—*History of Prices*, vol. 1, p. 12.

evident that none of these conditions can be accurately fulfilled. Without dwelling upon the difficulty of ascertaining accurately the other data essential to the solution, namely, the extent of the purchasing power of a community, and the mode of its distribution amongst different classes, it is evident that the disposition of people to sacrifice one kind of gratification to another—to sacrifice vanity to comfort, or decency to hunger—is not susceptible of precise measurement, and can never, like the forces of physical nature, be brought within the limits of a formulated statement.

This character of indefiniteness which belongs to the premises of Political Economy is very strikingly exhibited in the effect which an alteration in the duty on taxed articles sometimes produces on their consumption. It is often found, *e. g.* that a reduction in the duty on an article of consumption—say tobacco—is followed by an increase in the total proceeds of the tax, but that if the reduction be continued further, the returns will decline. Now, if the disposition and purchasing power of the community with regard to tobacco, as compared with other articles of general consumption, were known, and could be accurately expressed by a mathematical formula, the precise point at which the proceeds of a tax upon tobacco would attain their maximum could be determined beforehand; and an immense reform, without risk of failure, could at once be affected in our fiscal system. But as we have no means of discovering *a priori* the disposition of mankind in this respect, we are obliged to have

recourse to a series of tentative experiments, and must content ourselves with a rough approximation to the required maximum, obtained probably at the cost of considerable loss to the revenue and inconvenience to the public.

I have thought it well to call attention to this source of imperfection in our economic reasonings, as it appears to me desirable that we should know the weakness as well as the strength of our position as political economists, that we may not, by affecting an accuracy that is unattainable, bring suspicion and discredit on the undoubted truths of the science.

The celebrated formula of Malthus, as you are aware, asserted that population tends to increase in a geometrical, subsistence in an arithmetical, ratio. In advancing this statement Malthus really intended nothing more, as every candid reader of his work will at once perceive, than to give definiteness to our conceptions of an important principle; the conclusions which he based upon the principle thus expressed not in the least depending for their truth on the mathematical accuracy of the formula. His opponents, however, were not in the humour for making this allowance. The doctrine had been stated in mathematical form, and it must, therefore, be maintained in all its strictness, or the discoveries of Malthus must be forthwith pronounced to be a delusion, and his conclusions the phantasms of a diseased imagination.

Such, then, being the character of an economic law, analogous in all respects to those laws of physical

nature which are obtained by a similar process of deductive reasoning, with the important exception that it does not admit of quantitative statement, we are now in a position to understand how far economic laws can be made available in the explanation of economic phenomena.

The explanation of a phenomenon, or the solution of a problem (the expressions being equivalent) consists in a reference of the fact to be solved or explained to some known or acknowledged principles. The velocity of a planet through space, *e. g.* is said to be explained when this velocity is shown to be the result of known dynamical principles. The physical phenomenon of dew is said to be explained, when it is shown that the known laws of the radiation and conduction of heat, together with the laws of the condensation of watery vapour, necessarily under certain external conditions lead to the occurrence of dew ; these conditions being the same as those under which, in fact, dew is observed to appear. If we admit the existence of the laws, we see that the phenomenon must be present when, in fact, it is present. In the same way the economic phenomenon of rent is said to be explained, when it is shown to be the necessary consequence of the play of human interests trafficking in an article having the peculiar physical properties which are found to reside in land. In this case, also, if we admit that human beings in their dealings with land act with a view to their own interests, and further, that the best soils in point of fertility and situation are not unlimited in

supply, and that the yield to be obtained from a limited area is also not unlimited, but diminishes in proportion to the outlay, as the quantity raised is increased, we see—or by reasoning on those facts we may see—that the phenomenon of rent must present itself in the progress of society, and that it will rise and fall from those causes which we find in fact to affect it. So far the solution of an economic problem is strictly analogous to that of a physical problem: in each case the process consists in tracing back the fact to be explained to its source in the ultimate principles of the science; if it be a physical fact, to the ultimate laws of physical nature; if an economic fact to the ultimate axioms of Political Economy—that is to say, to the mental and physical principles from which its doctrines are derived. Until this connexion is clearly established, no physical or economic phenomenon can be regarded as explained.

The solution of a problem may be regarded as perfect when the principles to which it is referred are shown to exist, and to lead by necessary consequence to the precise fact which constitutes the problem to be solved.* Supposing our reasoning to be correct, it is

* “In such a case,” says Sir John Herschel, “when we reason upward till we reach an ultimate fact, we regard a phenomenon as fully explained; as we consider the branch of a tree to terminate when traced to its insertion in the trunk, or a twig to its junction in the branch; or, rather, as a rivulet retains its importance and its name till lost in some larger tributary, or in the main river which delivers it to the ocean. This, however, always supposes that, on a reconsideration of the case, we see clearly how the admission of such a fact, with all its attendant laws, will perfectly account for *every* particular.”—*Natural Philosophy*, p. 163.

evident that imperfection may yet arise either from the indefiniteness of our knowledge of the laws which operate in producing the phenomenon, or from ignorance of the precise circumstances under which they come into operation. With the exception, perhaps, of astronomy there is no science that has attained absolute perfection in both these respects. Most of the advanced physical sciences, however, satisfy the first condition, though they generally fail of complete accuracy in the latter. To revert to a former example—the formation of dew, the laws of the radiation and conduction of heat and of the condensation of watery vapour on which that phenomenon depends may be accurately ascertained and expressed in mathematical formulas ; but the circumstances under which the phenomenon appears—the state of the atmosphere, and the condition of the various bodies on which the deposition of dew takes place during any given night—cannot be accurately ascertained. Now, while this is so, the solution of the problem cannot be said to be complete ; since, although we may perceive from our knowledge of the laws of heat and of aqueous vapour that dew under the actual circumstances must appear, yet, from want of precision in our knowledge as to what the actual circumstances are, we cannot tell the precise quantity that ought, in obedience to these laws, to be deposited ; and, therefore, cannot be certain that our solution may not be more or less than adequate ; nor whether there may not be other causes affecting the result which we have omitted to notice.

In Political Economy we have seen that the laws which it announces do not admit of precise quantitative statement: we have now further to note that the remaining portion of the data necessary to the solution of a given problem, namely, the circumstances under which they come into operation, though generally susceptible of measurement could they be ascertained, yet in practice can seldom be ascertained so completely as to admit of being stated numerically.

Take, *e.g.* an economic phenomenon which has excited much speculation lately amongst economists and commercial men—the export of silver from Europe to the East which has been proceeding on an extraordinary scale during the last year. Many causes may be assigned, which, taken together, will go a certain way in accounting for this fact. There has been, in the first place, a general rise of wages in the United Kingdom—the consequence partly of our general commercial prosperity, partly of the gold discoveries—leading to an increased money demand here for the productions of eastern countries. There has been, in the next place, a failure in the silk crop on the continent, obliging Europeans to obtain a large portion of their silk from India and China, and thus increasing the liabilities of Europe in those quarters. The interruption of our trade during the Russian war, again, has obliged us to resort to the same quarters for linseed and other articles which we usually procure from Russian sources; leading to a further augmentation of our liabilities in the East. There is then a Chinese

rebellion, tending to increase the passion for hoarding so prevalent in oriental countries. In addition to all these, there are the new supplies of gold from California and Australia, lowering its value in relation to silver, displacing thereby silver from the circulation of those countries which have a double standard (these countries being principally confined to the continent of Europe), and thus, by lessening the demand for silver in such countries, lowering its value in them. Having regard to these different circumstances, and to the play of human interests in the pursuit of wealth to which they must give occasion, it may be easily shown that the export of silver from Europe to the East (unless counteracted by some other causes of equal efficacy in an opposite direction) must take place as a necessary consequence; and, taking them all together, and the scale of their magnitude as far as it can be ascertained, they will probably go far to explain the existing drain. But are they adequate to a complete explanation? or are they more than adequate; and is it, therefore, necessary to look out for some cause acting in an opposite direction, in order to a complete explanation of the result which we witness?

Or take another example—the high price of corn during the last four years. Amongst the causes which have been assigned in explanation of this phenomenon is the fall which has recently taken place in the value of gold, the effect of the large influx from Australia and California. Some writers, however, who

are of opinion that gold has not fallen in value maintain that the high range of price is sufficiently accounted for by the shortness of supplies consequent upon the great deficiency of the harvest of 1853 over the whole of Europe, in conjunction with the obstruction to some of the usual sources of supply arising out of the Russian war, and this, notwithstanding the influence of free trade tending powerfully in the opposite direction. Now if Political Economy were an exact science, this question could be at once determined by calculating the effect of the causes assigned, and comparing the result of our calculation with the actual market price. But, as I have endeavoured to show, owing to the character of the premises of Political Economy, this is impracticable; for even though accurate and reliable statistics of the production and importation of corn during the period in question were attainable, we should yet be unable to say what effect this would produce on price, from the essential indefiniteness of the other premises involved in the problem—the relative strength of human desires, the extent of the means at the disposal of consumers, not to mention the various circumstances influencing opinion as to the prospects of the coming crop, such as the changes in the weather and the reports of the harvests from other countries.* We are, consequently in arguing this question, obliged to have recourse to arguments of a probable, and often of a conjectural, nature,

* See Tooke's *History of Prices*, vol. 5, part 1, sec. 29, in which the question is very fully and very satisfactorily discussed.

the conclusions from which must, of course, partake of the same merely probable and conjectural character, and can, therefore, never attain to that precise and definite form which distinguishes the conclusions of physical science.

I have dwelt thus at some length on the character of an economic problem, and the degree of perfection of which its solution is susceptible, "because it appears to me that, amongst those who in the public press and elsewhere engage in economic discussions, there are few who seem to have any clear conception of what it is which, in the investigation of the phenomena of wealth, Political Economy proposes to accomplish. The following very just observations, taken from a paper in the Statistical Journal of October last by my immediate predecessor—Mr. Walsh, on the export of silver to the East, will illustrate the confusion of ideas to which I have adverted:—"There is a mode in which some persons deceive themselves into the belief that they are accounting for this phenomenon, which calls for our consideration. I have seen it put forward by persons signing themselves "China Merchants," "Eastern Merchants," and the like—names which seem to claim authority for the bearers in a question relating to a trade with which they are conversant. They state *what* is occurring, and then imagine they have told us *why*; while in fact, all their labour ends in telling us silver is exported to the east, because silver is exported to the east. One announces (in a letter to the *Economist*, February 2, 1856) that

the direct answer to the question as to the cause of the export of silver is, that the metal presents just now the most lucrative branch of commerce ; and he rejects any speculations that aim at offering further explanation. The answer is quite correct, but as trifling as true. If the trade were not lucrative, no one would continue to carry it on ; but the question is, what makes it unusually lucrative ? and on that subject the writer does not inform us. Others wander into long descriptions of the machinery by which the transmission of silver is effected—bills drawn on this place for debts due elsewhere ; and goods sent to one locality in return for what is transmitted to some other ; and finally flatter themselves they have told us *why*, when they have merely mentioned *how*. Why is such a one crossing the ferry ?—Because he is carried in the boat. But why did he get into the boat ? That is the question to be answered. And so, in like manner, it is no answer to the question why silver is exported to the east, to state the channels and appliances by which it is transmitted. What is really required to be known is not the machinery of transfer, but what set that machinery in motion :”—in other words, what those physical facts or events are, which, in conjunction with the self-interest of men operating in the pursuit of wealth, produce the actual result—the drain of silver.

Every one, I suppose, has met with antagonists who, when hard pressed with an economic difficulty, have taken refuge in the convenient maxim that “ in

the end things will find their level"—an explanation which **certainly** does not leave upon the mind a very definite notion of the means by which the desiderated level is to be attained. A writer in the *Examiner** turns to almost equal account the words "stimulate" and "absorb," making them available in the support of some very extraordinary doctrines. Among other paradoxes this writer maintains that not only has gold not fallen in value in consequence of the recent discoveries, but that it has never fallen in consequence of former discoveries; and not only this, but that there is nothing in the cheapened cost of producing gold tending to lower its value. Having assumed (in disregard of such statistics as he gives) that the increased production of gold has hitherto had no effect upon prices, the writer thus proceeds to account for the fact:—"The additional supply of the precious metals has stimulated the industry of the world, and in fact produced an amount of wealth, in representing which they have been themselves, as it were, absorbed." Further on he says:—"But the produce of Australian and Californian gold, as well as that of silver which has accompanied it,† is likely to go on, and it may

* December 13th, 1856.

† As if in compensation for the prevalent disposition to rest economic principles on statistical data, the writer in the *Examiner* reverses the process, and endeavours to deduce from economic principles (or what he takes for them) matters of fact which are capable of being proved by statistical evidence. In this way, in the article from which I have quoted, he attempts to prove that the stock of silver in the world has, since the Australian and Californian discoveries, been

be asked if this must not in course of time produce depreciation. We think it certainly is not likely to

increased by an amount equal to £118,750,000. The following is his argument.

The increase of gold he takes during the last 9 years as £125,000,000; but silver in relation to gold has during that interval risen only 5 per cent.; therefore the stock of silver has increased by the same amount (viz. £125,000,000) minus 5 per cent., or £118,750,000; adding, in further explanation, that the rise in the price of silver would "act as a premium on its production."

It is evident that the suppressed premiss of this argument is, that the relative quantities of the two metals vary always directly as their values; but on this assumption the increase in the stock of silver would be very much greater than the *Examiner* makes it out; since, according to all estimates on the subject, the stock of silver in existence in 1848, when the Californian discoveries took place, was at least one half greater than that of gold. If then the correspondence in their values indicates a like correspondence in their relative quantities, instead of an addition of £118,750,000 to the stock of silver previously existing, we should have an addition of £178,125,000, or an average annual production of silver since 1848 of about £22,000,000.

But, in the next place, the assumption of a constant connexion between the quantity and the value of the precious metals is directly at variance with the doctrine which it is the object of the article to establish—namely, that an increased production of gold has no tendency to affect its value. The writer starts by assuming that the value of silver must be regulated by its quantity, and then proceeds to prove that the quantity of gold can have no influence on its value. Gold, we are told, has not fallen in value, notwithstanding the increase in its quantity, and then it is argued that silver must have increased in quantity *pari passu* with gold, or else its value would not have fallen with the value of gold.

Had the writer taken the trouble to refer to the statistics which are available on the subject, he would perhaps have seen reason to doubt the soundness of his economic views. If the reader will turn to the sixth vol. of Tooke's *History of Prices*, Appendix XXVI. he will find returns of the importation of silver from the various producing countries during the last eight years, and estimates from these and other sources of the total annual production

do so. . . . On the contrary, it will surely be *absorbed* by increasing wealth and population as fast as it is produced."

It is strange that the obvious *reductio ad absurdum* should not have restrained such speculations. The theory applies to every conceivable augmentation of gold. The stimulus is represented as in proportion to the increase of supply. Consequently, however great the increase, in the same degree will be the stimulus, —in the same degree, therefore, the amount of wealth produced, and, as in representing this the gold is absorbed, in the same degree the absorption. According to this theory, then, if gold were produced in such quantities as to be as abundant as copper—nay, if it were as common as the sand on the sea-shore, it

during the same time, in a compendious and convenient form. From these it appears that the annual production of silver, which, according to M. Chevalier's estimate, was £8,720,000 in 1848, will, in the opinion of Mr. Newmarch, based upon the statistics which he has given, have risen to about £12,000,000 for the present year—being equivalent to an increase of about 37 per cent. on the previous annual supply; the annual supply of gold during the same period having increased by about 300 per cent.

There seems indeed every reason to suppose, from the facts stated by M. De Humboldt and M. Chevalier in their treatises on the Production of the Precious Metals respecting the silver mines in Mexico and Peru still unworked, as well as from the recent discoveries of quicksilver in California, cheapening as it will so considerably the cost of producing silver, that the production of silver will be rapidly extended, and that thus the depreciation now going forward in the value of gold will be concealed by the contemporaneous depreciation in the value of that metal with which it is most usual to compare it. As to the rise in the price of silver "acting as a premium on its production," this is merely the common fallacy of confounding price and value.

would nevertheless be as valuable as ever, and a given quantity of gold would still command the same quantity of all other commodities as before.

It is to be regretted that the writer did not favour us with his notion of the manner in which the alleged "stimulus" to industry operates, and the supposed "absorption" is effected. The stimulus, it seems, is not felt, according to the popular view, in a rise of price; for this, he asserts, the new gold has no tendency to produce: nor does it take place through an increase of demand, for this could only manifest itself through a rise of price; nor does it operate through a fall in the rate of interest, for it is notorious that during recent years the rate of interest has been high; while, with regard to the *modus operandi* of "absorption," we are equally left in ignorance.

Such attempts at an explanation of economic phenomena remind us of some of the physical speculations of the schoolmen. Dr. Whewell mentions a doctrine maintained by these philosophers, that a vessel full of ashes would contain as much water as an empty vessel. The mysterious capacity of "absorption," which in this case was attributed to the ashes, is by the political economist of the *Examiner* attributed to wealth and population.

* As another example of the kind of "solutions" with which writers on economic questions satisfy themselves, take the following from the *Economist*, June 20th, 1857, p. 682. The writer is explaining the principles which regulate the distribution of the precious metals:—"From the beginning of society, and in all countries, gold and silver have been used as money. They are, in fact, by some

Whether in Political Economy or in physical science, before proceeding to account for a phe-

writers called natural money. If this be a true description of them, they must be distributed by natural laws, and one nation cannot have more of them than another, any more than one man can have more atmospherical air than another. Europe, generally, is in a state of civilisation which makes gold the most convenient metal for its coin; Asia, generally, is in a state of civilisation which makes silver the most convenient metal for its coin. Europe cannot possibly have all the gold and all the silver too. Gluttonous as it may be—led astray as its inhabitants still may be by the old theories of wealth—to desire to keep for itself all the gold and silver that Providence sends for all the nations of the earth, it cannot possibly be gratified; and so we see the large new supplies of the precious metals pretty fairly distributed over all. Gold comes from America and Australia into Europe; and silver, displaced by it, goes from Europe to Asia, to India and China, spreading natural money everywhere. So, by the bounty of Providence, the useful instruments of life in society are distributed by two streams running in different directions over all the earth. Man is the agent for making the distribution, but he is not conscious of all the effects he produces."

Observe the reasoning in this passage:—Gold and silver have in all countries been used as money; they have been called *natural* money; *therefore* (assuming the designation as correct, which the writer does) they must be distributed by natural laws; and *therefore* one nation cannot have more of them than another. Now, in the first place, whether gold and silver be distributed according to "natural laws," cannot in the least depend upon whether they have been properly called "natural money." Paper credit, *e. g.* has never been called "natural money," nevertheless, it is governed by natural laws as certainly as gold and silver; if it were not so, the attempt to regulate the paper currency would be an absurdity. It is only in so far as things are governed by natural laws known to us—that is to say, it is only in so far as we know that certain effects will follow from certain causes—that we can hope to control them.

But, secondly, it is argued that, because gold and silver are distributed by natural laws, therefore "one nation cannot have more of them than another, any more than one man can have more atmospherical air than another." In the first place it is not easy to see

nomenon, it is well to ascertain the fact, whether the assumed phenomenon have existence. The problem

what the connexion is between "natural laws" and equal distribution of the commodities which are subject to these laws ; but, secondly, it is not true that one nation has no more of the precious metals than another ; indeed it is so palpably untrue, that it is scarcely possible to believe that the writer could have meant what he so distinctly asserts. What then does he mean by saying that one nation cannot have more of the precious metals than another ? Does he mean that the share of each is in proportion to its population ? or in proportion to its trade ? In neither of these senses is the doctrine more true than in the former. The trade of England is far greater than that of France, but the quantity of the precious metals in France is greater than in England ; and the quantity in India, in proportion to its trade, is immeasurably greater than in either England or France. Neither is the relation of the precious metals to population more constant than their relation to trade ? Will it be said that what is intended is that the precious metals are distributed amongst the different nations of the world *in proportion to their requirements for them*. This is true, but to give this as an explanation of the principle according to which the distribution takes place, is to show that the writer does not understand in what consists the solution of an economic problem. To adopt his own illustration, it is just as if a person, when asked according to what principles the air is distributed round the globe, should reply according to the laws of pneumatics. What we want to know is, in the one case, *what* the laws of pneumatics are which regulate the dispersion of the atmosphere ; and in the other, *what* those requirements are which determine the distribution of the precious metals —we want to know, in short, *what* principles of human nature they are which, operating upon *what* external facts, produce the result which we see.

So far with regard to the precious metals generally ; next with regard to the metals severally, we are told that silver goes to Asia, while gold remains in Europe, because "Europe is in a state of civilization which makes gold the most convenient metal for its coin," while "Asia is in a state of civilization which makes silver the most convenient metal for its coin." Now it is certain that no important change has taken place in the relative civilization of Europe and Asia, and, I may add, of America, during the last ten years. If the principle, then,

is then to be solved not by vague phrases and wholesale assumptions, but by connecting the fact to be accounted for with the ultimate principles of the science to which it belongs; and, in the case of Political Economy, these are the known propensities of human nature and ascertained facts of the external world.

were a good one, silver would have been displaced in Europe long ago; and inasmuch as "the civilization" of America has been equally in advance of oriental nations, silver would never have been the chief currency there. But silver has been the principal currency in both France and America until recently, and might be so still in spite of their "civilization," were their mint regulations framed with a view to retaining it.

Had the writer of this passage a clear conception of what it is which Political Economy proposes to accomplish, the tracing of the phenomena of wealth up to definite human motives and ascertained external facts, he would scarcely have satisfied himself with such an explanation as I have quoted—an explanation which, in the vagueness of its phraseology and the looseness of its reasoning, is much more allied to the puerile conceits and verbal quibbles of the schoolmen, than to the rigour and precision of thought which modern science demands.

LECTURE V.

OF THE MALTHUSIAN DOCTRINE OF POPULATION.

I alluded in the opening lecture of this course to the present unsettled and unsatisfactory condition of Political Economy in regard to some of its fundamental principles; attributing this state of things, as you will probably remember, to the loose and unscientific views which prevail respecting the character of economic doctrines and the kind of proof by which they are to be sustained or refuted. This led me in the succeeding lectures to explain and illustrate at some length the character and method of the science. I now propose to vindicate the importance of the topics on which I have been insisting, by showing, in the instance of some fundamental doctrines, the manner in which unscientific views in respect to the nature and method of the science have operated in producing those differences of opinion to which I have referred.

One of those doctrines, as I conceive, quite fundamental in the science of Political Economy, though impugned and controverted in several recent publications, is the doctrine of population as expounded

by Malthus. It would of course be quite impossible, within the compass of a single lecture, to notice, much less satisfactorily to answer, all the various objections that have been in times past, or may still be, urged against this doctrine ; and it would be unnecessary were it possible ; most of them having received as full an answer as they deserve either from Malthus himself or from succeeding writers. I shall therefore confine myself to those which, either from their novelty, or from the circumstance that they have been lately endorsed by some economists of position, or from their logical character, will be most suitable to the object which I have in view—the illustration of economic method.

In order, however, that you should appreciate the force of these objections, it will be necessary for me to state the doctrine against which they have been advanced.

The celebrated Malthusian doctrine is to the following effect, viz. that there is a “constant tendency in all animated life to increase beyond the nourishment prepared for it ;” or, with reference more particularly to the human race, that “population tends to increase faster than subsistence.” From what I have already said of the character of an economic law, as well as from the terms of the proposition itself, you will at once perceive that it is not here asserted that population *in fact* increases faster than subsistence ; this would of course be physically impossible. You will also perceive that it is not in-

consistent with this doctrine that subsistence should, *in fact*, be increased much faster than population. It may also, perhaps, be worth remarking that the doctrine, as it is stated by Malthus, is not invulnerable to verbal criticism. The sentence, "population tends to increase faster than subsistence," is elliptical, and the natural way of supplying the ellipsis would be by reading it thus :—"Population tends to increase faster than subsistence tends to increase ;" but it cannot with propriety be said that subsistence "tends to increase" at all. I mention this verbal inaccuracy, not because I think it is likely that any candid or intelligent reader could ever be misled by it, but because I have seen it dwelt upon by anti-Malthusian writers. But, waiving verbal cavils, what Malthus asserted, and what it is the object of his essay to prove, is this—that, looking to the powers and propensities in human nature on which the increase of the species depends, there is a constant tendency in human beings to multiply faster than, looking to the actual circumstances of the external world, and the power which man can exercise over the resources at his disposal, the means of subsistence are capable of being increased.

The reasoning by which Malthus established this proposition was as follows. He had first to ascertain the capacity and disposition to increase inherent in mankind—in other words, the natural strength of the principle of population. Now, in order to discover the real character of any given principle, obviously the proper course

is to consider that principle as it operates when unimpeded by principles of an opposite tendency. Malthus, therefore, took the case in which external conditions were most favourable to the uncontrolled action of the principle of population. This was the case of new colonies, where a population with all the resources of civilization at their command are brought into contact with a new and virgin soil. In these he found that population from internal sources alone, and excluding immigration, frequently doubled itself in twenty-five years. This rate of increase was evidently not owing to anything peculiar or abnormal in the physical or mental constitution of the inhabitants of such countries, but owing to the favourable character of the external circumstances under which the principle of population came into play. He, therefore, concluded that the ratio of increase, according to which population doubles itself in twenty-five years, represents the natural force of the principle—the rate at which population always *tends* to increase—the rate at which if, unrestrained by principles of an opposite character or by the physical incapacity of sustaining life, population always will increase.

On the other hand, on looking to the means placed at man's disposal for obtaining subsistence, Malthus found that it was physically impossible that subsistence could be increased at this rate. The surface of the globe is limited; the portions of it suitable to cultivation and accessible to human enterprise are still more limited; and the difficulty of obtaining food

from a limited area increases as the quantity raised from it is increased.* If, *e. g.* 40,000,000 quarters of corn

* Against this it is urged that, however true the statement may be as an abstract proposition, yet, looking to the actual state of the world—the increased supplies of food which even the most advanced countries under an improved agricultural system are capable of yielding, as well as the vast districts in America, New Zealand, and elsewhere, which are yet to be brought under cultivation—the doctrine must, for ages to come, be destitute of all practical significance. In a review of “Mansfield’s Paraguay, Brazil, and the Plate,” in *Frazer’s Magazine* (Nov. 1856), the writer, after rather more than the usual misrepresentation of Malthusian views, puts the objection thus:—

“Meanwhile stood by, laughing bitterly enough, the really practical men,—men such as the author of the book now before us : the travellers, the geographers, the experimental men of science, who took the trouble, before deciding on what could be, to find out what was ; and, as it were, ‘took stock’ of the earth and her capabilities, before dogmatizing on the future fate of her inhabitants. And, ‘What?’ they asked, in blank astonishment, ‘what, in the name of maps and common sense, means this loud squabble? What right has any one to dogmatize on the future of humanity, while the far greater part of the globe is yet unredeemed from the wild beast and the wild hunter? If scientific agriculture be too costly, is there not room enough on the earth for as much unscientific and cheap tillage as would support many times over her present population? What matters it, save as a question of temporary make-shift, whether England can be made to give thirty-three bushels of wheat per acre instead of thirty-one, by some questionably remunerative outlay of capital, while the Texan squatter, without any capital save his own two hands, is growing eighty bushels an acre? Your disquisitions about the ‘margin of productiveness’ are interesting, curious, probably correct ; valuable in old countries ; but nowhere else. For is the question, whether men shall live, or even be born at all, to be settled by them, forsooth, while the valley of the Ottawa can grow corn enough to supply all England ; the valley of the Mississippi for all Europe ; while Australia is a forest, instead of being, as it will be one day, the vineyard of the world? While New Zealand and the Falklands are still waste ; and Polynesia, which may become the Greece of the New World, is worse than waste? While Nebraska alone is capable of supporting a population equal to France and Spain together? While, in the Old World, Asia Minor,

are produced annually in the united kingdom at present, it might be possible at the end of twenty-five years

once the garden of old Rome, lies a desert in the foul and lazy hands of the Ottoman? While the Tropics produce almost spontaneously a hundred valuable articles of food, all but overlooked as yet in the exclusive cultivation of cotton and sugar? And finally (asks Mr. Mansfield in his book), while South America alone contains a territory of some eight hundred millions of square miles, at least equaling Egypt in climate, and surpassing England in fertility; easy of access; provided by means of its great rivers, with unrivalled natural means of communication, and 'with water-power enough to turn all the mills in the world;' and needing nothing but men to make it one of the gardens of the world?"

The objection, it will be observed, is a purely practical one. It is not denied that "population tends to increase faster than subsistence;" that, however great be the quantity of food which the earth is capable of yielding, population may ultimately overtake it, and tends to do so; but it is said, of what practical moment is this to us living now, with the boundless resources of new worlds still at our disposal? The answer—the *practical* answer is—it is everything to us, if these resources, however extensive, are not *in fact* turned to account. It matters not whether the obstacles be physical or moral, whether absolute and insuperable, or the result simply of prejudice and ignorance; so long as they are effectual in preventing the cultivation of the countries in question. So long as this is the case, these countries, to all *practical* intents and purposes, may be said not to exist for us: they can no more be counted on as means of supporting population than the countries in the moon. Yet because forsooth "the valley of the Ottawa can grow corn enough to support all England," altho' it is admitted that it *does* not do so, and it is not asserted that there is any immediate prospect that it *will*, this "really practical" reviewer holds that it is the height of absurdity to speak of the necessity of restraining population, and treats all those who do, as dreamers and lunatics!

A labourer, *e. g.*, in Dorsetshire on nine shillings a week is hesitating about marriage. The "speculative" Malthusian advises him to wait a little while, till he saves enough to form at least the nucleus of a support for his wife and family. "The really practical man," on the other hand, says to him, Why hesitate? Is not the valley of the Ottawa capable of growing food for all England?

by means of improved agricultural processes to raise 80,000,000 quarters annually ; it is perhaps conceiva-

The immense food-producing capabilities of the earth yet open to us were not overlooked by Malthus, nor have been, so far as I know, by his followers, nor am I aware that they have ever underrated the importance of turning these capabilities to account. They have, however, urged that the existence of capabilities is no reason for weakening the restraints on population ; because, whatever be the extent of these resources, the development of them must be a work of time, and population is found in fact to be always fully able to keep pace with the process. The instinct which holds people to their native land, in spite of the alluring prospects of other regions, the tardiness with which capital moves to new countries, and the ignorance, indolence, and barbarism of most of the races which occupy them, render the introduction of systematized industry into such regions, a matter of much difficulty and of slow accomplishment. The greatest part of India has now been under our rule for a century, and yet we know how difficult it is to attract capital thither without a government guarantee ; and notwithstanding all that has been written and spoken of the boundless resources of India, and the pressing needs of England for articles to the production of which her soil and climate are peculiarly suitable, how little has yet been done to turn these advantages to account ! What would a Manchester cotton spinner think of the advice not to hesitate about erecting new mills and machinery, because, though the supply of cotton be rather short just now, the plains of the Deccan are capable of producing more than he will be able to work up for half a century ? Yet the reviewer who, in the somewhat more momentous affair of population, gives precisely analogous advice, takes credit to himself for pre-eminent practical wisdom.

With regard to the other point adverted to—the possibility of largely increasing the quantity of subsistence raised even in old countries, similar considerations apply. The fact is undoubtedly true ; but more food is nevertheless not raised, because it could only be done by submitting to lower profits, and farmers *won't* submit to lower profits. If it be asked why it necessarily involves lower profits ? The answer is to be found in “the diminishing productiveness of the soil,” the impenetrable barrier against which all anti-Malthusian plans and arguments are ultimately shivered.

ble that, by forcing to the highest degree every patch of cultivable land in the kingdom, at the end of fifty years 160,000,000 quarters might be raised ; certain, however, it is that the annual production of corn in the united kingdom could not go on for ever at this rate ; but it is no less certain that, looking to the capacity of increase in human beings, the population of the united kingdom *could* ; and that, looking to their natural propensities in the same direction, they *would* proceed at this rate for ever, till brought to a stop by the physical impossibility of obtaining food, supposing their natural power and disposition to multiply unchecked by principles of an opposite character.

The result, therefore, of the consideration of these facts by Malthus was the enunciation of the doctrine which I have just stated—that there is in human beings a tendency to multiply faster than subsistence—to increase faster than subsistence is capable of being increased. Population, however, as I have said, whatever might be its tendency, could not, in fact, increase faster than subsistence, inasmuch as human beings cannot live without food ; and further investigation showed that subsistence in most countries, and in all improving countries, had in fact increased faster than population. Malthus, therefore, turned his attention to the discovery of those antagonizing principles which keep in check the natural power of population. These, he found, were reducible to two classes, which he designated the preventive and positive checks. The preventive checks included all

those causes which operated in restraining the natural power or disposition of mankind towards an increase of their numbers, and were generally comprised under these two heads, prudence in regard to marriage, and vice, so far as it interfered with fecundity. The positive checks included those causes of premature death incident to a redundant population, of which the principal were famine, pestilence, and war.

These principles were most important and fruitful in their consequences, and enabled Malthus to solve many social and economic problems, which, up to his time, had been but little understood, and to dissipate some mischievous prejudices which were then universally prevalent. The material well-being of a community evidently depends on the proportion which exists between the quantity of necessities and comforts in that community and the number of persons amongst whom these are to be divided, of which necessities and comforts by far the most important item is food. All plans, therefore, for improving the condition of the masses of mankind, in order to be effectual, must be directed to an alteration in this proportion, and to be permanent, must aim at making this alteration permanent. Now, Malthus showed that the strength of the principle of population is such that, if allowed to operate unrestrained, no possible increase of food could keep pace with it. It consequently followed that, in order to the permanent improvement of the masses of mankind, the development of principles which should impose some restraint on the natural tendency of the principle of population was indispensa-

ble; and that, however, an increase in the productiveness of industry might for a time improve the condition of a community, yet this alone, if unaccompanied by the formation of habits of self-control and providence on the part of the people themselves, could not be relied upon as an ultimate safeguard against distress.

The same discovery of Malthus—in his own language—"the constant pressure of population against subsistence," gave the key to many social and historic problems. It disclosed the latent cause by virtue of which the world has been peopled; which sent forth the shepherds of Asia from the primitive birth-place of the human race; which obliged the Greeks to throw off numerous colonies; which influenced the great migrations of the northern barbarians; and which is now spreading the Anglo-Saxon race over the continent of North America.

The same principle also enabled Malthus to give a complete and philosophic answer to the communistic plans which were at that time eloquently advocated by Godwin and others, by showing that, as such schemes offered no inducement to the exercise of prudential restraint, and removed those which already existed, they were defective just in that point without which human improvement was impossible; they provided no security against a redundant population,—none, therefore, against the want and misery which a redundant population must occasion.

The practical lessons which Malthus deduced from the law of population were no less important. Up to the time when the essay on population was written,

the prevailing opinion amongst statesmen of all shades of politics was that a dense population was the surest proof of national prosperity, and the encouragement of population the first duty of a statesman. The poor-laws, not content with their indirect influence in undermining individual providence, placed a direct premium upon multiplication ; and in general every plan for the improvement of society was approved and supported just in proportion to its supposed influence in augmenting the numbers of the people. The reasonings of Malthus went, as I have explained, to establish a conclusion directly opposite to this—to show that, as regards the number of a people, the danger lay on the side not of deficiency but of excess ; and that, therefore, plans of social improvement were to be approved not in proportion as they tended to encourage the increase of population, but in proportion as they tended to develop those qualities of self-control and providence on which its restriction within due limits depends.*

* It by no means follows from anything that has been said above, that paucity of population or the slowness of its advances is to be taken as a proof of national prosperity ; or, *vice versa*, that a numerous or rapidly increasing population is inconsistent therewith, as is almost invariably asserted or implied by anti-Malthusian writers. Mr. Rickards (c. g.) says :—"Mr. Malthus and the disciples of his school unite in representing the supposed pressure of population against food as *increasing in intensity in direct proportion to the populousness of a community* ;" and, after giving the number of inhabitants to the square mile in some of the principal countries in the world, the result of the comparison being to show the greatest density of population in England, he adds, "England, therefore, is the country in which, *according to the theory in question*, the pressure of over-population ought to be most severe."—*Population and Capital*, p. 117, 118.

Such was the line of reasoning by which Malthus established his celebrated doctrine of population, and such was the manner in which he employed the

It is evident that the theory in question involves no such consequence ; that theory having reference to the *relation* subsisting between population and food, and asserting nothing whatever respecting the absolute amount of either. The statement, however, is not simply an unwarrantable inference ; it amounts to a direct misrepresentation of Malthus, imputing to him an opinion which he has in terms disavowed. *E. g.* "*It is an utter misconception of my argument to infer that I am an enemy to population. I am only an enemy to vice and misery, and consequently to that unfavourable proportion between population and food which produces these evils. But this unfavourable proportion has no necessary connexion with the quantity of absolute population which a country may contain. On the contrary, it is more frequently found in countries which are very thinly peopled than in those which are more populous. In the desirableness of a great and efficient population, I do not differ from the warmest advocates of increase. I am perfectly ready to acknowledge with the writers of old, that it is not extent of territory, but extent of population, that measures the power of states. It is only as to the mode of obtaining a vigorous and efficient population that I differ from them, and in thus differing, I conceive myself entirely borne out by experience, that great test of all human speculations.*"

The practical difference in the results to which Malthusian and anti-Malthusian views lead may be made clearer by considering how they would apply in a given case.

The stationary state of population in France, which has lately been made the subject of much remark, would probably be regarded by both schools as indicating something amiss in the social condition of that country. But while the anti-Malthusian would regard it as the source of the disease, the Malthusian would consider it as merely a symptom, and a symptom, as far as it went, alleviative of the disorder. According to the views of the former, the proper cure for the social malady would be to encourage population by offering premiums for large families, or by throwing the responsibility of providing for them on the state. I do not say that any one now would seriously recommend this policy ; but I say it is a legitimate consequence from anti-Malthusian doctrines ; it was universally accepted as such, and acted on as such, up to the close of the last century ; and if the same

principle, when established, in explanation of the laws of the production and distribution of wealth. It appears to me that, in following this course, Malthus followed that by which alone important economic truths are to be discovered. You will observe, his method was strictly in conformity with that which I have been recommending in these lectures as the scientific method of Political Economy. He commenced by considering the nature and force of a known principle of human nature: he took account of the actual external conditions under which it came into operation: he traced the consequences which would result, supposing it to operate unrestrained under these ascertained conditions: he then inquired how far in fact the principle had been restrained; and

policy is not still openly advocated, it is owing to the influence which the writings of Malthus have exercised even amongst those who affect to repudiate his teaching.

On the other hand, the Malthusian would regard the stationariness of population in France as an alleviative symptom of the social malady. That population does not advance is, indeed, in itself (apart from other considerations) an evil; it implies at all events a certain negation of human happiness; but it is better that population should not advance, than that it should advance in increasing pauperism and wretchedness. The Malthusian, therefore, would consider how the material resources of France might be expanded, and her means of supporting population increased; but he would carefully abstain from encouraging population, because he would know that, owing to the natural strength of the principle, however great might be the expansion of her resources, population would advance *at least as fast as was desirable*. On the contrary, he would take care, while endeavouring to augment her means, not to weaken, but rather to strengthen, those prudential habits which at present exist. No possible immediate gain, if obtained by a relaxation in this respect, would be considered by him as an adequate compensation for the future evils which such relaxation would entail.

lastly, investigated the nature of those antagonizing principles, through the operation of which the restraint was effected. By these means he arrived at those ultimate causes in the principles of human nature and the facts of the external world on which the condition of the mass of mankind in regard to subsistence depends, and furnished for the first time the solution of an important problem in the laws of the distribution of wealth.

So much then for the doctrine of Malthus, and now for his opponents. One of the most prominent of those who have recently taken the field against him is Mr. Rickards, late professor of Political Economy at Oxford. Of his work on "Population and Capital," the chief portion is devoted to an elaborate attack on the position of Malthus. The objections advanced by Mr. Rickards are not absolutely new,* but they are stated by him with greater fulness and clearness than I have seen them elsewhere, and I shall therefore avail myself of his statement of them. The following passage is taken from the work to which I have referred :—"It is obvious that there are two methods by which the respective rates of increase of man and of subsistence may be compared. They may be regarded—I mean, of course, both the one and the other—either in the abstract or in the concrete; either potentially or practically. We may investigate, for instance, according to the laws of nature, manifested by experience, what is the stated period within which

* See Lawson's Lectures on Political Economy; also Laing's Travels in Europe, chap. 3.

a given society of human beings are physically capable of doubling their numbers, abstracting the operation of those checks, that impaired longevity and increased mortality, which may be found practically keeping down the number of any society. On the other hand, we may estimate the potential rate of increase of those animals or substances which are adapted for human subsistence, assuming no obstacle to their multiplication to arise from the difficulty of finding hands to rear, or space upon the earth to nourish, them. By this method we may ascertain which of the two elements, population or subsistence, is physically capable of the greater expansion in a given time. Or we may adopt another mode of testing their relative rates of increase—we may compare the progress of man and of production in the actual state of any community, or of all communities together. In all existing societies there are checks in operation upon the multiplication of the human species. There are checks, likewise, upon the indefinite increase of the animal and vegetable world. We may take the operation of the checks into account on both sides of our calculation. In any given country, or in the world at large, if we like it better, we may compute, with reference to the actual state of things—looking to the experience of the past, and to the circumstances of the present, to all the causes, social, moral, or political, which restrain the propagation both of man and of his food—what has actually been, or what probably may be henceforward, the comparative rates of increase of population and of production. Either

of these two methods of comparison would be fair and logical. I need scarcely add, that the latter will be more likely to conduce to a useful practical conclusion. But a third method, which cannot fail to lead us by the road of false logic to an utterly wrong result, is that of comparing the potential increase of mankind according to the unchecked laws of nature, with the actual progress in any given country of production, excluding the operation of the counteracting forces on the one side, importing them into the estimate on the other. It is no wonder, when we use such a balance as this, if the scales are found to hang prodigiously unequal."

"But it requires nothing more than a careful attention to this point to bring out in a clear point of view the fundamental fallacy of the whole argument. What is that ratio in regard to the multiplication of *subsistence* which Mr. Malthus has placed in contrast with the *potential* increase of human beings? *Not* the potential increase of animal and vegetable existences proper for the food of men under the like favourable conditions; "the power left to exert itself with perfect freedom," limited by no check or obstacle,—which formed his datum in regard to population. He enters into no estimate as to the periods in which, according to the laws of Nature, the fruits of the earth, the corn, the olive, and the vine, are capable—it is vain to talk of *duplication* in such cases, but—of multiplication, some thirtyfold, some sixtyfold, some an hundredfold. He omits to consider the almost marvellous fecundity of some of

those animals which form, in civilized communities, the chief subsistence of the mass of the people. . . . His calculation as to the ratio in which subsistence may be multiplied is founded upon the state of things then actually existing in England. He compares the abstract with the concrete—nature, in the region of hypothesis, acting in “perfect freedom,” with nature obstructed by all the “checks” which restrain production in the actual world.”*

The first point to be remarked upon in this is that Mr. Rickards does not here deny the doctrine of Malthus in the sense in which Malthus asserted that doctrine;—headmits that in *this* sense “the scales” *do* “hang prodigiously unequal;” nor does he impugn the reasoning by which Malthus deduced from the doctrine *thus understood* the conclusions which it was the object of his essay to establish; in short, he neither denies the premises of the Malthusian argument, nor their sufficiency to establish the Malthusian conclusion. The passage, therefore, which I have quoted, if it be intended as anything more than a verbal criticism on the form in which the meaning of Malthus is expressed, must be regarded as an example of the fallacy called *ignoratio elenchi*; and if my object were simply to defend the Malthusian doctrine, I might at once pass by these objections as irrelevant. As an example, however, of the confused notions which prevail respecting economic method, it will be desirable to consider them somewhat more at length.

I propose, therefore, to show that, while the com-

* Population and Capital, pp. 68—70, 73, 75.

parison instituted by Malthus is perfectly legitimate and logical, those suggested by Mr. Rickards are wholly irrelevant to the ends of economic science, inasmuch as, whether concluded in the affirmative or negative, they illustrate no economic principle whatever, and afford us no assistance in solving any problem in the production and distribution of wealth.

In the first place I may remark that, granting for the moment that a comparison of the abstract with the concrete be inadmissible, the criticism may be at once obviated by substituting for the word "subsistence," the expression "capacity of the soil to yield subsistence," which equally well conveys the meaning of Malthus. We may then compare the abstract with the abstract, the "potential" fecundity of man with the "potential" fertility of the soil; and we may deduce from the proposition thus stated precisely the same conclusions which it was the object of Malthus inculcate.*

But why should a comparison of the abstract with the concrete be necessarily illogical? I know of no criterion by which to decide on the propriety of a comparison except by reference to the object for which the comparison is instituted. The object which Malthus had in view in writing his essay was to ascertain the influence of the principle of population upon human

* Mr. Rickards in fact elsewhere states the question in this way:—"Now, precisely the same assumption—that of the diminishing productiveness of the land, as compared with the *undiminished* power of human fecundity—forms the basis of the Malthusian theory."—Population and Capital, p. 127.

well-being ;* to ascertain whether the natural force of the principle was such that, with a view to the happiness of mankind, it should be stimulated or restrained ; whether it was desirable that inducements should be held out to encourage population ; or whether, on the contrary, we should favour those institutions and usages of society which tend to develop the antagonizing principles of prudence and moral restraint. This was clearly and properly an economic question—it was a question as to the influence of a given principle on the distribution of wealth ; and it was one which, from the terms in which it is stated, evidently involved the very comparison to which Mr. Rickards objects—a comparison of the natural and inherent force of the principle of population with the actual means at man's disposal, situated as he is in the world, for obtaining subsistence—a comparison of “nature in the region of hypothesis, acting with perfect freedom, with nature obstructed by all the checks which restrain production in the actual world,”† Mr. Rickards, therefore, either must maintain that the problem which Malthus proposed to solve—the influence of the principle of population upon human well-being—upon the distribution of

* “To enter fully into this question, and to enumerate all the causes that have hitherto influenced human improvement, would be much beyond the power of an individual. The principal object of the present essay is to examine the effects of one great cause intimately united with the very nature of man ; which, though it has been constantly and powerfully operating since the commencement of society, has been little noticed by writers who have treated this subject.”—Malthus, *Essay on Population*, p. 2. Ed. 1807.

† p. 75.

wealth—was not a legitimate problem ; or he must admit that a comparison of the abstract with the concrete is not an improper comparison.

Indeed, if the consideration of the tendency of a given principle—its “potential” capacity—in connexion with the “actual” circumstances under which it comes into operation, is to be proscribed as involving a comparison of the abstract with the concrete, it is difficult to imagine how the complex phenomena of nature are to be investigated, and traced to the various causes producing them.

But, further, I maintain that neither of the comparisons, insisted on by Mr. Rickards as being the only legitimate comparisons, can lead to the discovery of any economic principle whatever, or help us to the solution of any economic problem. The first of the comparisons suggested by Mr. Rickards as that which Malthus might properly have instituted is the comparison of population in the abstract with food in the abstract—the “potential” increase of the one with the “potential” increase of the other—in a word, the comparison of the fecundity of a human pair with this fecundity of a grain of wheat. Had he instituted the comparison, Mr. Rickards says he would have come to the conclusion that subsistence tended to increase infinitely faster than population.

There can be no doubt that the capacity of increase in a grain of wheat (the conditions most favourable to its cultivation being assumed) is immeasurably greater than the capacity of increase in mankind (the conditions most favourable to their multiplication being

also assumed); inasmuch as while population under the most favourable circumstances takes 20 or 25 years to double itself, a grain of wheat in rich soil may yield 20 or 30 or 40 fold in a year; and it is quite possible that in a work on the comparative physiology of plants and animals this fact may possess some importance. But the question for a political economist is, what economic principle can be deduced from it? What light does it throw on the production and distribution of wealth? Mr. Rickards will perhaps reply, it follows from this, that subsistence tends to increase faster than population. This proposition, if we understand its terms as Malthus understood them, would represent an important tendency influencing the phenomena of wealth—in other words, an economic law: were it true in this sense that “subsistence tended to increase faster than population,” all the inferences which Malthus drew from the opposite principle, and, I may add, most of the doctrines of Political Economy as they are received at present, might be reversed; nay, the most important phenomena of society as it is at present constituted would be inexplicable. But, when understood as Mr. Rickards insists on understanding it, I deny that the proposition expresses any economic principle whatever. Let us test it by actual trial. Assuming, as is undoubtedly the case, that the abstract capacity of increase in a grain of corn is greater than the abstract capacity of increase in a human pair, and that in this sense subsistence tends to increase faster than population—in what manner does the fact here asserted affect the production or

distribution of wealth ? What phenomenon of wealth does it explain ? What practical lesson does it afford ? Does it throw any light on the causes on which the progress and physical well-being of society depend ? Does it explain why rent tends to rise and profits to fall as society advances ? Why the English labourer receives less than the American and more than the Hindu ? Why old countries import raw produce and export manufactured articles, while new countries reverse this process ? Does it explain why, as civilization advances, the condition of the mass of the people generally improves ? Not one of these questions can be completely answered without reference to the doctrine of population, as Malthus stated and understood that doctrine ; but if, with Mr. Rickards and those who agree with him, we are to understand the doctrine as expressing a comparison of the tendency to increase in human beings, not with the actual means at their disposal for obtaining subsistence, but with the capacity of increase in the vegetable world under impossible conditions, I cannot find that it helps us in any way to the solution of these or any other economic problems.

I defined an economic law (as you will probably remember) as a proposition expressing a tendency deduced from the principles of human nature and external facts, affecting the production or distribution of wealth. The comparison instituted between population and subsistence by Mr. Rickards certainly expresses a tendency deduced from human nature and external facts, but it is a tendency, which, so far as I

can perceive, exercises no influence on the production and distribution of wealth. I cannot, therefore, see on what ground it is entitled to be considered as an economic law.

The other comparison which Mr. Rickards suggests as one that might properly be instituted (and to it he appears to attach most importance) is the comparison of "population in the concrete" with "subsistence in the concrete"—that is to say, the comparison of the progress which has actually taken place in the population of a given district during a given time, with that which, in the same district and during the same time, has taken place in subsistence. Now, I am far from saying that such a comparison may not bring to light facts of a valuable character—facts which, if duly reflected upon and interpreted by the light of economic science, may lead to important conclusions, and possibly to the discovery of some new economic principle; but I entirely deny that a proposition, embodying the crude results of this comparison, can be considered as a portion of Political Economy, or that it possesses any of the attributes of an economic law.

It is true indeed that the term "law" is frequently applied to mere generalizations of complex phenomena—to propositions which simply express the order in which facts have been observed to occur; and, provided the purely empiric character of such generalizations be borne in mind, there can be no objection to the name. Even in this sense, however, to entitle a proposition to the character of a "law," some degree of regularity and uniformity in the observed sequence

is required. Now, with respect to the comparison which Mr. Rickards proposes to institute between the relative advances which have taken place in population and subsistence, no such uniformity or regularity is observable. In some nations subsistence has advanced more rapidly than population; in others population has advanced more rapidly than subsistence; and in the same nation, at different times, the results have been different, population and subsistence taking the lead by turns. The utmost that can be said with truth is that, on the whole, as nations advance in civilization, the proportion generally alters in favour of subsistence—a proposition which, I think, can scarcely pretend to the dignity of a “law,” even in the loosest sense of that word.

But even if we were to suppose the relative advance of population and subsistence to be constant and uniform, and the rate to be well ascertained, I should still deny that a proposition embodying the results of this comparison could correctly be called a doctrine of Political Economy; that is to say, I should deny that such a proposition could with propriety be placed in the same category of truths with those which assert that cost of production regulates value; that wages depend on demand and supply; that profits depend on the cost of labour; that rent depends on the difference in the returns of the soil to different capitals; in a word, with those doctrines which are known as the received doctrines of Political Economy. Each of these propositions expresses some tendency affecting the production and distribution of wealth: they have

all been deduced from known principles of human nature and ascertained physical facts; and they are all available in explanation of the phenomena of wealth. But a proposition asserting the results (even supposing these results to be perfectly regular and uniform) of a comparison between population in the concrete and food in the concrete, possesses none of these attributes. It does not express any tendency influencing the phenomena of wealth, but is itself the complex result and evidence of many tendencies which it is the business of Political Economy to discover; it is not deduced from the principles of human nature and external facts, but from the statistics of society, or from the crude generalizations of history; and, lastly, it is not a principle helping us to the solution of the complex problems of wealth or of society, but itself presents a complex problem for our solution.

I say such a comparison will not help us to the solution of any of the complex problems of wealth or of society; for, granting the fact to be as Mr. Rickards asserts it to be, and as, on the whole, making large allowance for exceptional cases, I believe it is—granting that, as a general rule, the means of subsistence, and we may add the comforts and luxuries of life, have advanced in civilized communities more rapidly than population, what light does this throw either upon the influence of the principle of population on the one hand, or of the causes regulating the production of subsistence on the other—of their influence, I say, upon the progress of society and the phenomena of

wealth? All that we are warranted in inferring from the fact—assuming it to be as Mr. Rickards represents it—is the predominance *on the whole* of the causes tending to advance over those tending to retard the social or economic condition of a nation; but it affords no ground for inference respecting the character or natural strength of any particular cause affecting that condition—such as the principle of population. The fact of the arrival of a vessel in New York is no proof that she had the wind in her favour: she may have had recourse to steam to counteract its effects. The speed at which she travels and the direction of her course do not depend upon the force of the steam impelling, or of winds assisting, or of the currents thwarting, or of the friction impeding, but is “the last result and joint effect of all.” Such also is the progress of society. It represents the result of a vast number of forces, physical, intellectual, social, and moral; and it advances, or recedes, or oscillates, as one kind or other prevails. But from the mere consideration of the rough result, the general total, it would be as vain to attempt to deduce the character or tendency of any single cause affecting it—of any given economic principle, as it would be to elicit a theory of the Atlantic currents from the statistics of voyages between Liverpool and New York.

Mr. Rickards, however, holds that the comparison which we have been considering does throw light on the causes of economic phenomena. The actual advance which the various communities have made in

material improvement, proves, according to him, "the natural ascendancy of the force of production over the force of population." "It can have emanated," he says, "from no other source. The primitive possessors of the earth were destitute of all things. The earth has been the source of all the wealth which has accumulated in the hands of their descendants." . . . If, while the number of cultivators has gone on increasing, this surplus has become greater and greater, and the whole people wealthier, it must follow that production has a tendency to increase more rapidly than population, and that the accumulation of wealth which accompanies the progress of society is attributable to this cause."*

In order to the cogency of the argument it is obviously necessary that the terms "force of production" and "force of population" should include *all* the causes influencing the economic progress of society; and in *this* sense to say that the force of production is superior to the force of population, is only in other words to say that the causes tending to advance society are on the whole more powerful than the causes tending to retard it; the name "force of production" being given to the one set of causes, and that of "force of population" to the other. It is, in short, a mere reproduction of the fact of progress under another form, but does not advance us a step towards an explanation of that fact which is the problem to be solved. It is as if a person should

* P. 115.

argue that the fact of a train leaving Dublin and arriving in Belfast proves the ascendancy in railways of the "force of locomotion" over the "force of immobility," on the ground that the actual progress of the train could be due to no other cause. This conclusion would be true on the same hypothesis as that on which the truth of Mr. Rickards' conclusion depends, namely, that the "force of locomotion" included all the causes propelling the train, and "the force of immobility," all the causes retarding it. The engineer, however, who should make the discovery would scarcely find that he had added much to his stock of useful knowledge.

I have now endeavoured to show that the comparisons suggested by Mr. Rickards in lieu of that which Malthus instituted, lead to no economic principle whatever, and furnish no aid towards the solution of any problems in the production and distribution of wealth. In further proof of the entire irrelevancy, with reference to the purposes of Political Economy, of Mr. Rickards' exposition of the laws of population, I may add that, having established these laws, apparently to his own satisfaction, he nevertheless does not apply them to the solution of any problems of wealth, nor does he attempt to make them the ground of any practical suggestions; on the contrary, such practical lessons as he does inculcate on the subject of population are directly at variance with his own theoretical conclusions.

You have seen that, while Malthus maintained

that population tended to increase faster than subsistence, he held, consistently with this, that the principle of population was a power which it was desirable to restrain, and advocated, as a means to this end, the formation of habits of prudence and self-control. Mr. Rickards, as you have also seen, emphatically denies this doctrine : he maintains, on the contrary, that subsistence tends to increase faster than population—that it does so both in the “abstract” and in the “concrete,” both “potentially” and “actually”; and further that “production” as compared with “population” is “the greater power of the two.” Mr. Rickards having thus given a direct negative to the principle of Malthus, it would be natural to suppose that in the practical treatment of the question he would be equally at variance with him. It would be natural to suppose that, as he maintains that subsistence both “potentially” and “actually” tends to outstrip population, he would be led to the conclusion that there was no necessity to place a restraint upon population, at least so far the question of food was concerned. If “production” be the “superior power,” there seems no reason,—provided men be only industrious, provided only the machinery of production be kept in motion—that mankind should not multiply without stay or limit, since, on this hypothesis, it is always competent to them to keep the means of physical comfort in advance of their increase. There seems no reason, in short, that the population of every country in Europe should not advance at the American

rate of velocity, constantly doubling itself in periods of twenty-five years; or, at least, if there be any reason for restraining population, we should not expect to find it in the difficulty of procuring subsistence. You will, therefore, probably be surprised to find that Mr. Rickards not only recognizes the necessity of placing a restraint on the principle of population, but recognizes it on the express ground of the limits placed by nature on the increase of subsistence.

"Individual prudence," he says* "is the proper check to precipitate marriages; an appeal to the consequences which will recoil on the parties themselves and their innocent offspring, is the appropriate and cogent argument to deter them from rash engagements. Let it not be said," he continues, "that in thus arguing I am substituting a principle of selfishness for one of duty. It is not so: prudence is here an obligation of morality." . . . "Whatever fluctuations," he adds, "may betide the labour market, let each man, in forming his private connections, act with the forethought and discretion that become a responsible being, and society will have no cause of complaint against him, for over-population will be impossible." This is excellent advice. But what are the grounds of it?—why should "over-population" be possible in the absence of forethought and discretion? why should prudence in respect to marriage be an obligation of morality? Simply, Mr. Rickards tells us, quoting the language of M. Say (not to refute but to adopt it), be-

* P. 204.

cause "the tendency of men to reproduce their kind, and their means of doing so are, we may say, infinite; but their means of subsistence are limited."*

I must leave Mr. Rickards to reconcile his practical lessons with his theoretical conclusions—his advocacy of a restraint on population on the ground of the limitation of subsistence, with his doctrine that subsistence "potentially" and "actually" tends to increase faster than population. It appears to me that the conclusion is inevitable—either his doctrines, in the sense in which he understands them, are irrelevant to the purposes of Political Economy; or his precepts are in direct contravention of his doctrines.

Before concluding I must notice one more position of Mr. Rickards. In the preface to the work which I have been noticing he puts this dilemma. "If the conclusion of the *Essay on Population* be true, it seems to me to involve this inevitable consequence—that there has been a miscalculation of means to ends in the arrangements of the universe—either man has been made too prolific, or the earth too sterile." The reply to this is plain and direct. The conclusion of Malthus certainly does involve the consequence that the earth is too sterile for the fecundity of man—for the possible increase of mankind; the earth cannot for ever yield food as fast as human beings can multiply; neither in this case, nor in any other, has provision been made for the unlimited gratification of any human propensity. Not even the most amiable instinct

* P. 186.

—not even the instinct of compassion, can be released from the control of prudence and conscience without entailing injury, and perhaps ruin, on the possessor. Whether this be a ground for charging the Creator of the universe with a “miscalculation of means to ends” it is not for me to say; but the fact, I apprehend, is indisputable. If it be an “end” of creation that the human species should multiply unrestrained (and this would seem to be Mr. Rickards’ view, being implied in his dilemma) the conditions under which man has been placed in the world certainly do not seem to be well calculated for this purpose, and “the arrangements of the universe” do certainly, on *this* hypothesis, seem liable to the charge conveyed in the passage which I have quoted. For my part, I do not take this view of the “ends” for which “the arrangements of the universe” have been planned,—and therefore do not perceive that the sterility of the earth, as compared with the fecundity of man, casts any reflection on the wisdom of the Creator.

But whether this be so or not, it is certain that the dilemma of Mr. Rickards, such as it is, is quite as applicable to his own tenets as to those of Malthus. The doctrine of Malthus, as I have admitted, *does* involve the consequence that the earth is “too sterile” for the possible increase of mankind. Does Mr. Rickards deny this? If so, I am quite unable to understand the following passage. “The physical power of reproduction in the human species,” says Mr. Rickards, “is such that, supposing it to operate

absolutely without check, it would in the course of a few centuries overspread with a dense mass of human beings every corner of the habitable earth. In far less time than it has taken to produce the now comparatively thin and scattered population of the globe, the fecundity of mankind must have been arrested by the failure not of subsistence only, but of space."* If so, then I ask, in what sense does Mr. Rickards maintain the negative of the dilemma he has put—that neither is "man too prolific," nor yet "the earth too sterile"? Subsistence, he admits, cannot be increased as fast as human beings are capable of multiplying; in other words, the earth *is* "too sterile" for the fecundity of mankind, for the possible increase of human beings. Then in what sense does he deny that the earth is too sterile? Will he say "too sterile" for the "actual" increase of mankind? And does his point after all amount only to this, that human beings do not, in point of fact, multiply faster than subsistence can be prepared for them, and that in *this* sense the earth is *not* too sterile? Surely that is only to say that men cannot live without food—a harmless truism, with which few will be disposed to quarrel, and which, one would imagine, might be defended without resorting to so formidable a dilemma.

* P. 179.

LECTURE VI.

OF THE THEORY OF RENT.

OF those principles of Political Economy which have of late years been made the subject of controversy amongst economists, one of the most fundamental and important is the theory of rent, generally designated from the name of its ablest expounder, Mr. Ricardo. Mr. Rickards of Oxford, some of whose objections to the doctrine of population, as taught by Malthus, I considered in my last lecture, is also an opponent of Ricardo's theory of rent. In the sixth lecture of his work on Population and Capital, he remarks upon the close relation which exists between these two doctrines. "The arguments for both," he says, "rest on one and the same hypothesis" "The same assumption—that of the diminishing productiveness of the land as compared with the undiminished power of human fecundity—forms the basis" of both theories.

Substantially I take this to be a correct statement of the grounds on which the doctrines of population and rent rest, and I am quite prepared to stake their truth upon this issue. But, before adverting further

to Mr. Rickards' objections, it will be desirable first to understand what the doctrine of rent is, as well as its proper limitations.

The object of the theory of rent is to explain the fact of rent, and the conditions which determine its rise and fall. In order, therefore, to judge of the theory, we must form a clear and definite idea of the fact of which it is designed to afford the explanation. The fact, then, which the theory of rent is adduced to explain is the existence in certain branches of industry of a permanent surplus value in the product, beyond what is sufficient to replace the capital employed in production, together with the usual profits which happen to prevail in the country. Thus a farmer, after replacing the circulating stock employed in cultivating his farm with the usual profits, and reserving besides interest on such capital as may have been sunk in permanent improvements, finds that the proceeds of his industry still leave him a surplus value. This value, if he be merely the occupier of his farm, goes to his landlord; or, should he, during the continuance of his lease, be able to retain a portion of it, he will at all events on its termination be compelled by the competition of other farmers to hand it over to his landlord; on the other hand, if the farmer be himself the proprietor of the land which he tills, the surplus value will of course remain with him. In the same way the patentee of a successful invention, on selling the produce of his industry, finds himself also in possession of a surplus value over and above

what is sufficient to replace the cost of production, together with the ordinary profits. Now it is this surplus value, whether derived from agricultural or from manufacturing operations, whether retained by the producer or handed over to the owner of the productive instrument, which constitutes "rent" in the economic sense of that word, and the existence of which is the fact to be accounted for.

You will observe, I say "in the economic sense of the word," because this is one of those cases in which the necessity under which Political Economists are placed of using popular phraseology in scientific discussions, has led to much confusion of ideas and perplexity of reasoning. The term "rent" is in popular language applied to the revenue which the proprietor of any article derives from its hire. Such a revenue, however, may owe its existence to different causes. The rent, *e. g.* which a landlord receives from a farmer for the hire of his land, is derived from a surplus value in the proceeds of the farmer's industry beyond what will cover the expenses and profits of his farm. On the other hand, the building-rent of a house represents no surplus value of this kind. It is not anything in addition to the ordinary profit, but is simply the ordinary profit or interest which the builder of the house receives on the capital which he has sunk.* There may indeed be fluctuations in the

* It will perhaps occur that the rent of land may equally be regarded as the interest of the landlord's capital sunk either in the purchase or improvement of his estate. So far as the rent paid by the tenant

returns upon building speculations, as upon any other speculations—the speculators receiving sometimes more sometimes less than average profits ; but there is in this case nothing like what occurs in the case of agricultural rent—a permanent surplus value beyond what is sufficient to indemnify the capitalist. The existence of this surplus value, then, is the problem which the theory of rent has to solve ; and the question is, what are the causes to which it owes its existence, and what are the laws which regulate its amount ?

Several theories have at different times been advanced in explanation of rent. That which was given by the French economists, and which, to a certain extent, was adopted by Adam Smith, was, that rent was a consequence of the superior productiveness of agricultural industry—a result of the positive fertility of the soil. It was said that industry was so productive in

is the consequence of improvements made in the land, the case is no doubt strictly analogous to that of building-rent, and the payment which the landlord receives in consideration of such improvements is properly regarded as the returns on the capital which he has sunk. But with regard to the remainder, it is paid for the inherent powers of the soil. The payment of this by the tenant is not a consequence of the landlord's purchase of the land (in the same way as the increase in his rent, in consideration of improvements, is a consequence of these improvements) ; on the contrary, the money paid for the purchase of the land is a consequence of the rent. Farmers do not pay rent *because* landholders have invested money in the purchase of their estates ; but landlords invest money in this way, *because* farmers are willing to pay rent. If landlords had obtained their estates for nothing, as many have so obtained them, farmers would not the less pay rent ; on the other hand, if, owing to any cause, corn fell permanently in value, rents would fall, whatever might have been the amount of the purchase-money given for estates.

agriculture, owing to the manner in which nature co-operated with human effort, that the proceeds of the crop were always sufficient to leave a surplus after replacing capital with the ordinary profit. The least consideration, however, will show that this explanation fails to solve the difficulty; since whatever be the fertility of the soil and the abundance of the crop, it will depend upon the price at which the latter is sold, whether the proceeds of its sale shall leave a surplus value or not. The question, therefore, still remains—what are the causes which determine the price of agricultural produce? And how does it happen that this price is sufficient, not only to cover cost of production with average profits, but also to yield a permanent surplus value in the shape of rent? The answer to this question involves the solution of the problem.

The only answer which Adam Smith gave to it was to this effect, that the demand for human food was always, and the demand for other kinds of agricultural produce was generally, so great, that these could command in the market a price which was more than sufficient to indemnify the farmer, and that the surplus value naturally went to the landlord. This, however, still left the problem unsolved, and moreover implied an incorrect view of the laws of value; since, in the case of a commodity like corn, which may be produced in any quantity required, the price at which it sells does not, except during short intervals, depend on the extent of the demand for it, but on the cost of

its production. An increase in the demand for a manufactured article, *e. g.* generally leads, as soon as the supply has had time to adjust itself to the change, to a fall in the price, owing to the circumstance that manufactured articles are generally produced at less cost when produced on a large scale. The demand for cotton goods has probably been decupled in the course of the last half century, but this has simply resulted in a decupled supply produced at a cheaper cost and sold at a proportionately lower price. How does it happen then, that the demand for human food does not operate in the same way? If, indeed, food were a strictly monopolized article, if only a limited quantity of it could be produced, we might understand how an increase of demand for it might permanently keep up its price above the cost of its production. But though land be a strictly monopolized article (at least in all old countries), food is not so, since the quantity of food which may be raised from a limited area of land, though not infinite, is indefinite; and the maximum has never yet been reached, or nearly reached, in any country, and probably never will. The question, therefore, again recurs—how does it happen that the increased demand for food does not operate in the same way as the increased demand for clothes, or shoes, or hats, or other manufactured articles? How does it happen that the price permanently remains at such a point as to leave a permanent surplus value over and above what is requisite to pay cost of production with the usual profit? This is a question

which Adam Smith failed to answer ; and he consequently failed to solve the problem of rent.

The first writer who gave the true answer to this question was, I believe, Dr. Anderson, in a work published in 1777 ; but it remained for Ricardo fully to perceive the importance of the principle involved, and to trace its influence in its various bearings on the laws of the production and distribution of wealth.

The answer to the question is as follows :—

Agricultural produce is raised at different costs, owing to the different degrees of fertility of different soils ; owing also to this, that even of that corn which is raised on the same soil, the whole is not raised at the same cost. Now, in order that that portion of the general crop of the country which is raised at greatest expense be raised—that is to say, in order to induce the cultivation of inferior lands and the forcing of superior lands up to such a point as shall secure to the community the quantity of food required for its consumption, the price of agricultural produce must rise at least sufficiently high to indemnify with the usual profits the farmer for this—the least productive—portion of his outlay. If the price were not sufficient for this, the farmer would withdraw his capital from the production of that portion of his crop which is raised at greatest expense, and would invest it in some other business in which he had a fair prospect of average profits.* Now there

* It will perhaps be said that the farmer would not withdraw his capital under the circumstances ; that, being liable to his landlord for

are never two prices for the same article in the same market. It is nothing to the consumer what may be the cost at which the article is raised: he simply looks to getting what he requires as cheaply as he can. If, therefore, the price of agricultural produce be such as to cover with ordinary profits the cost of that portion of the general crop which is raised at greatest expense—and I have shown that it must be this at least—it will be more than sufficient to cover with ordinary profits the cost of that portion which is raised at less expense. There will, therefore, be on all that portion a surplus value over and above what is sufficient to replace the capital of the farmer with the usual profit; and this surplus value is the precise phenomenon of rent which it is the object of the theory to account for.

Such briefly is the theory of rent as expounded by Ricardo, “the *pons asinorum* of Political Economy,”

his rent, he will get the most he can out of his land, whatever be the price of agricultural produce. I hold, however, that a capitalist farmer (and it is only to such that the reasoning applies) would certainly do nothing of the kind. If he have made a bad bargain, and undertaken to pay rent for land of such indifferent quality, that the produce at the current prices will not replace his capital with the ordinary profits, it will be much better for him to put up, once for all, with the first loss, to allow his land to lie waste, and to turn his capital into some employment in which it *will* yield him ordinary profits, than to continue throwing good money after bad by farming at a loss. And this is practically what every farmer does whose lease comprises lands too poor for profitable cultivation. He simply does not cultivate such land. Instead of employing his surplus capital in the unprofitable cultivation of such portions of his farm, he allows them to lie waste, and invests his spare cash in railway stock, in the funds, or in some other undertaking which promises average profits.

as Mr. J. S. Mill calls it. When you have thoroughly mastered this principle, you will find that you have the key to the most important problems of the production and distribution of wealth. The doctrine, however, is one which is peculiarly liable to misconception ; it has been, and, I regret to say, is still the subject of much controversy. It may be well, therefore, to state more fully the grounds on which it rests, and to point to some of the consequences to which it leads.

In the first place, what are the assumptions on which the theory of rent is founded ? It assumes, first, that of the whole agricultural produce of the country, those portions which in the market are on an average sold at the same price are not all on an average raised at the same cost ; and secondly, that the price at which the whole crop sells is regulated by the cost of producing that portion which is produced at greatest expense. If these two points be granted, the existence of a "surplus value" is a logical necessity which it is impossible to evade ; and if we take, further, into account the motives which actuate men in the pursuit of wealth, we shall see that it is equally a logical necessity, that this "surplus value" should go, as "rent," to the proprietor of the soil. The least consideration will make this evident. If corn be raised at different costs, and if the price be such as to cover with ordinary profits the cost of the most costly portion, it must be *more* than sufficient to cover with ordinary profits the cost of the less costly portion. In the case, therefore, of all agricultural produce

raised at *less* than the greatest cost, there must be a "surplus value." Now if we look to the motives which actuate men in the pursuit of wealth, we shall see that this "surplus value" must remain with the proprietor of the soil. The farmers cannot permanently retain it, since, if they did, the rate of agricultural profits would be permanently higher than that which prevails in other departments of industry. This would attract capital from these other departments, and lead to a competition for land, and this competition would evidently go on till agricultural and other profits were brought to a level—that is to say, till the whole surplus value was transferred to the landlord in the shape of "rent."

I think, therefore, I am warranted in saying that, if the two assumptions which I have stated be granted, the theory of rent expounded by Ricardo follows as a necessary consequence. We must, therefore, consider what are the proofs of these assumptions.

First, then, I say that, of the whole agricultural produce of the country, those portions which sell at the same price are not all raised at the same cost ;—that is to say, that a given barrel of wheat, barley, or potatoes of a certain quality, is not raised at the same cost as every other barrel of wheat, barley, or potatoes of the same quality, and, therefore, commanding the same price. And this surely is a proposition that scarcely requires serious proof. To deny that some portions of the general crop of the country are raised at less cost than others, is to deny that some soils are

more fertile than others, is to deny that the county of Meath is more fertile than the county of Galway—the meaning of “more fertile” being that a given amount of labour and capital expended thereon produces a greater result. The fact, however, if seriously questioned, is, like all the axiomatic truths in Political Economy, susceptible of direct proof. The proper ultimate criterion in this case will be actual physical experiment on the soil. Farmers do, in fact, perform the experiment, and the result is sufficiently evidenced by the higher rent which they are content to pay for some lands than for others.* I think therefore we are warranted in assuming as an incontrovertible fact, that the whole agricultural produce of the country is, taking the same kinds and qualities, not raised at the same cost.†

But, secondly, the price at which the whole crop sells is determined by the cost of producing that por-

* Vide ante, p. 28, *note*.

† One would suppose that this fact, so obvious when stated, could not long have escaped the attention at least of “practical men.” Yet it was a committee of the House of Commons who piqued themselves on their practical knowledge, that reported that a price of 100s. to 105s. the quarter for wheat was necessary to enable farmers to continue the cultivation of their land; less than this not being “a remunerative price;” as if the necessary cost of raising corn were some fixed quantity, independent of the character of the soil on which it is raised, or of the point to which cultivation may be forced upon it. On the other hand, it was reserved for a “theorist” (Ricardo, in his tract on “Protection to Agriculture”) to discover that corn may be grown not only in the same country but on the same soil at different costs, and that, therefore, the “renumerative price” will vary with the state of agriculture.

tion which is produced at greatest cost. It is not, of course, meant by this that the market price of corn always accurately corresponds with the cost of this portion ; as I explained on a former occasion,* when it is said that cost regulates price, what is meant is, that this is the point which the price constantly tends to approach—the centre towards which it constantly gravitates. This being understood, it will not be difficult to prove that the price of corn is determined by the cost of producing the most costly portion of the general crop. It is clear that the price must at least be sufficient to cover this cost with the ordinary profit. If it were not, there would be no inducement to farmers to continue the production of this portion : a farmer will not continue permanently to produce corn at a loss. Before he invests his capital in his business, he will consider whether he has a fair prospect of receiving the ordinary returns on it : if he has not, he will not invest it. But if the price cannot permanently be less than is sufficient to cover with ordinary profits the cost of this portion, it is equally certain it cannot permanently be *more* than sufficient to do this.

This will be at once evident when we consider the following facts. 1st, that between the worst and the best lands there are soils of every possible degree of fertility ; there are some on which by dint of high culture corn might be raised, but at such a cost, that it would not replace the capital expended in raising

* Vide ante, p. 65.

it ; there are others in which, though the returns might replace the capital, they would not yield a profit ; there are others in which the returns would yield a profit, but less than an average profit ; and there are others again in which the returns will just replace the capital expended with average profits, and no more. And 2ndly that no soil at present in cultivation yields as much corn as it might be made by higher cultivation to yield ; that in forcing the soil there is a point at which the returns replace with ordinary profits the capital expended and no more, and beyond which, if cultivation were pushed, though it would lead to an increase of produce, yet this increase would not be sufficient to replace the outlay with the ordinary profit : in a word, that there is a point up to which it is profitable to cultivate, and beyond which it is not profitable to cultivate. From this fact it follows that on the same soil—be this soil ever so rich—corn may nevertheless be produced at any cost, however great. Now, if these two points be clearly borne in mind, then (to return to the question which we left) it must follow that the price of corn cannot for any length of time continue at a higher rate than is sufficient to cover with ordinary profit the cost of that portion of the general crop which is raised at greatest expense ; for, if it were more than this, the extraordinary profit would at once stimulate cultivation ; rich lands would now be farmed more highly, and lands of a less fertile quality than before would now be brought under tillage, and this process would go on, till either by an

increased supply the price was brought down to the cost of production, or till, through the increasing expense of cultivation, the cost of production rose up to the price.* It follows, therefore, that as the price of corn cannot remain for any length of time at a *lower* point than is sufficient to cover the cost with ordinary profits of raising the most costly portion, neither can it permanently remain at a *higher* point than is sufficient for this purpose. The extent to which cultivation shall be carried in bringing poor soils under the plough, and in forcing the better qualities—what Dr. Chalmers calls “the extreme margin of cultivation”—must be determined by the wants of society; but, wherever that margin may be, whatever may be the cost of raising the most costly portion of the general crop, this will be the regulator of price—the point which it will constantly tend to approach.

I submit, therefore, that I have established the two assumptions on which I have rested the theory of rent, viz. that, of the total amount of agricultural produce raised in the country, portions commanding the same price are raised at different costs; and 2ndly that the price at which agricultural produce sells is determined by the cost of that portion of it which is produced at greatest expense. From these two assumptions, or, as I may now call them, facts, it necessarily results, as I have shown, that, with reference to all that portion of the general crop which is raised at less than the greatest cost, there is a “surplus value;” while, from

* Vide ante, p. 66, note.

the principles of human nature which are brought into play in the pursuit of wealth, it follows that this "surplus value" must go in the form of rent to the proprietor of the soil.

This is the theory of rent as expounded by Ricardo. It explains the existence of rent in the case of all those lands on which agricultural produce is raised at less than the greatest cost at which it can be profitably produced ; but it explains it in this case only. It has accordingly been objected to this theory, 1st, that it fails when applied to new colonies in which none but the best lands, in point of fertility and situation, are under cultivation ; where, therefore, since all the corn is raised at one and the same cost, there could, according to Ricardo's theory, be no surplus value ; and 2ndly, that it fails to account for the payment of rent in the case of the worst lands under cultivation in every country, on which the whole produce is raised at the maximum of cost, as well as in the case of those lands which are too poor for cultivation, but which nevertheless pay rent.

It must be admitted that, assuming the facts to be as the objection implies, the theory of Ricardo fails to account for them, and beyond question the facts are as the objection implies. This, however, is no reason for rejecting the theory, which, as I have just shown you, is based on facts quite as certain as those which are urged against it. It only proves that, after allowing for the effects which the known causes are competent to produce, there still remain certain phenomena

of rent which those causes are not competent to account for. It is the case of what in physical science is called "a residual phenomenon," and is to be treated in the same way—namely, by looking out for some new cause or principle adequate to explain the residual fact.*

* On the recurrence of a "residual phenomenon" in physical investigations, it always becomes a question whether the theory, which leaves the fact unexplained, is to be retained, accompanied with the hypothesis of some concurrent cause undetected to which the residual phenomenon may be ascribed, or whether the theory should be wholly rejected. But in economic reasoning no such questions can arise. The grounds of the distinction have been already pointed out in the beginning of the third lecture: they are to be found in the different character of the proof by which ultimate principles in physical and economic science are established. The proof for a physical theory always resolves itself into the circumstance, that, assuming it to be true, it accounts for the phenomena; whence it follows that the occurrence of a "residual phenomenon" in physical researches necessarily weakens the proof of the laws which fail to explain it, and, if such exceptions become numerous and important, may lead to the entire rejection of the theory. On the other hand, it is always regarded as the strongest confirmation of the truth of a physical doctrine, when it is found to explain facts which start up unexpectedly in the course of inquiry.* But the ultimate principles of Political Economy not being established by evidence of this circumstantial kind, but by direct appeals to our consciousness or to our senses, cannot be affected by any phenomena which may present themselves in the course of our subsequent inquiries (the proof of the existence of such phenomena consisting also in appeals to our consciousness or to our senses, and therefore being neither more nor less cogent than that of those ultimate principles); nor, assuming the reasoning process to be correct, can the theory which may be founded on them. We have here no alternative but to assume the existence of a disturbing cause. In the case before us, *e.g.*, under whatever circumstances rent may be found to exist, this can never shake our faith in the facts that the soil of the country is not all equally fertile, and that the productive capacity of the best soil is limited; nor weaken our confidence in the

* Vide Appendix C.

Let us take, *e. g.* the case of a new colony for every acre of land in which government exacts a rent before it permits occupation. Here we will suppose that none but the best lands are cultivated, and that all the corn produced in the colony is raised at the same cost. Under these circumstances it is undeniable that rent has been frequently, and still is in many cases, paid. It is certain, however, that farmers, whether in a new colony or elsewhere, will not engage in the production of corn as a commercial speculation, if they have not a reasonable prospect of obtaining on their investments the ordinary rate of profit which prevails in the place where they reside. If an emigrant capitalist can make 30 per cent. by employing men at gold digging, he will not be content with 20 per cent. on growing maize. Consequently, before a farmer will consent to pay the rent demanded by government, the price of corn must rise so as to indemnify him for the rent. Here, then, it is evident that the surplus value in the product, which surplus value goes to the government in the form of rent, is a result of the monopoly of the land enjoyed by the state.

Again, take the other case to which I have alluded—the case of rent paid for the worst lands under cultivation ; or, a more extreme case still, the case of rent paid for the worst lands in the country, too poor for

conclusions drawn from these facts, that agricultural produce is raised at different costs, and that, in the play of human interests, this will lead to the payment of rent to the proprietor of the superior natural agent.

cultivation of any kind. With respect to the former, if you consider the matter, you will find that the payment of rent is more apparent than real. The lands comprised in one farm under one holding always contain several varieties of soil. An average rent is struck over the whole, and the bad land appears to pay as much as the good. If any portion of the land, however, be so inferior as barely to pay the expenses and profits of cultivation, it is certain that in point of fact no rent is paid for such land, since, if it were, the farmer would not have his profits. For whatever rent, therefore, may be nominally paid for land of this kind, there will be found to be a set-off in the lands of better quality : so that we are justified in saying that virtually no rent is paid for such lands.

It will be said, however, that rent of some kind is paid for every acre of land in the country, however barren and worthless. This is true, but where this is so, land is not taken as a commercial speculation, for in such case the capitalist must have his profit. The rent which may be obtained for land too poor for cultivation is a consequence of the fact that land, even when not available as an instrument for the production of wealth, is still an object of desire as a means of enjoyment, and, being also limited in supply, becomes an article of wealth. Mountains in Wicklow and in the highlands of Scotland, on which a barrel of oats could with difficulty be raised, will nevertheless set at a good round rent as game-preserves ; and even where there is not vegetation enough to shelter a hare or a

grouse, such lands are yet not to be had for nothing, since, at the least, they minister to the pride of proprietorship. In this case, as in that of the unoccupied lands of a colony, the rent which the owner is enabled to exact is simply a consequence of the monopoly which he enjoys.

I have mentioned two cases of rent in which the phenomenon is not explicable on the theory of Ricardo. I shall now mention another—the case of the rent paid to the patentee of an invention for the use of his patented process, where this process has superseded all others. Here the article produced is all produced at the same cost ; nevertheless, the patentee is enabled to exact a rent for the hire of his invention. It is evident the rent, or surplus value beyond cost and profit, is due in this case to the same cause which we have been considering—namely, monopoly. There is indeed this limitation on the monopoly of a patentee, that the article to which his patent applies may still be produced in the ordinary way ; but, subject to this limitation, he has a strict monopoly of the production of the article ; he will consequently refuse to sell it except at such a price as shall leave him, not only ordinary profit, but a surplus value besides, which surplus value is of the nature of rent : or, if he should not choose to engage in the production himself, he will not permit the patented process to be used except on condition that the person using it shall pay him some valuable consideration for its use, leaving it to

the producer to indemnify himself in the price of the article.

You will perceive, therefore, that, besides the causes of rent noticed in the theory of Ricardo, there is another cause, namely, monopoly, which he has not taken account of. When any of the agents or instruments indispensable to the production of an article is monopolized, the person in possession of the monopoly may refuse to allow the article to be produced, except on his own terms: consequently, under such circumstances the article, whatever it may be, will not be produced unless the price of it be sufficient to enable the producer to comply with these terms, besides getting the ordinary profits for himself.*

As the causes of rent, in the ordinary case of agricultural rent, are different from that which obtains in

* It will here perhaps occur, that the introduction of two distinct principles involves an unnecessary complication; and that the simple fact of the monopoly of land, as it is affected by the demand for, and supply of, the article, will suffice in every case to explain the phenomenon of rent. That such a generalization, however, is not admissible will be at once apparent, if we reflect that rent, in the ordinary case of agricultural rent contemplated by Ricardo, *does not depend on the monopoly of the soil*. That it is paid to a landlord is a consequence of the monopoly; but, whether the land be private property or not, or whether it be owned by one man and farmed by another, "the surplus value," which is the fact to be accounted for, would equally exist. But in the case of the rent exacted for colonial lands, the rent, or surplus value, owes its existence exclusively to the monopoly of the state, and, according to the extent to which the state chooses to avail itself of its monopoly, the rent will rise or fall. The two phenomena, though both considered as rent, and though agreeing in character to this extent, that in each case there is a surplus value beyond costs and profits, are yet due to wholly different causes and are governed by wholly different laws.

the special cases to which I have alluded, so also are the consequences in the distribution of wealth different in the two cases. In the ordinary case of agricultural rent, rent is the consequence, not the cause of the high price of corn. If, *e. g.* the property of landlords were confiscated, the price of corn would not be affected, since the price must still be sufficient to cover the expense of producing that portion of the general crop which is raised at greatest cost, and, as I have already shown, it is not more than sufficient to do this at present. The effect of such a measure would not be to abolish rent, in the economic sense of the word, but simply to transfer a certain value from the owners to the cultivators of land.

On the other hand, in the special cases of rent to which I have alluded, in the case, *e. g.* of the unoccupied lands of a colony, rent is the cause of price. The rent here being the consequence not of the comparative cheapness at which certain portions of the supply are raised, but of the monopoly of the state, before a farmer will consent to pay rent, the price must rise so as to cover the amount of rent demanded besides the usual profits. The price rises here *because the government demands a rent*. In the ordinary case of rent, the landlord demands a rent *because the price rises*. If, therefore, the government were to abandon its exactions, the price of corn would fall proportionally ; but in the latter case the rise in price, not being due to the exactions of the landlord, will not be affected by their abandonment.

The same is true of all cases of rent, where rent is the consequence of monopoly, *e. g.* in the case of a patentee. The value of the article produced by the patented process is sufficient to afford a rent to the patentee after covering the expenses and profits of the producer. But abolish the monopoly of the patentee, and the competition of producers will at once bring down the price by the amount of the rent; in other words, the surplus value will disappear; and this is in fact what always happens on the expiration of the term of a patent.

But, thirdly, rent, according as it results from the principles noticed by Ricardo, or from monopoly, is governed by different laws. In the ordinary case of agricultural rent, the amount of the surplus value received by the landlord depends on the difference between the costs at which agricultural produce is raised. If, *e. g.* a return of one quarter of wheat to a given outlay of capital will only just replace the capital employed in raising it with ordinary profits, then, wherever land is so fertile as to give a greater proportional return than this, the extra sum will go as rent to the landlord. Agricultural rent, therefore, will vary, the price of corn being supposed constant,* directly as the productiveness of agricultural industry;—this productiveness, being, to borrow a mathematical expression, the function of two variables, *viz.* first,

* It will, of course, be necessary to assume some given rate of profit; otherwise it is supposable that the changes in the productiveness of industry might be felt in profits or wages.

the fertility of the soil, secondly, the skill with which labour is applied to it : or, if we suppose the productiveness of agricultural industry to be constant, then rent will vary with the price of corn.

On the other hand, rent, where it is a consequence of monopoly, depends simply on the demand for, and supply of the article. The amount of rent which government may exact for unoccupied lands in Australia is controlled by nothing but its own will on the one hand, and on the other the strength of the desire and the ability to purchase on the part of the colonists. In this country consumers would be able and willing to pay ten times or twenty times the present price for bread rather than do without it ; and landlords, we may venture to assume, would have no scruple about exacting higher rents, had they the power to do so ; but just as the competition of farmers operates to enable landlords to appropriate that portion of the returns of land which is in excess of ordinary profit, so, on the other hand, the competition of landlords amongst themselves renders the exaction of more than this impracticable. That landlords should be able to keep up the price of corn by holding out for higher rents would require a combination of the whole body, which, without a law to enforce it, it would be impossible to carry into effect. But what landlords, from their number and rivalry, are unable to do, government, wielding the concentrated power of the community, has no difficulty in doing. If, *e. g.* government choose to exclude foreign corn from Aus-

tralia, it might, by demanding a higher rent, force up the price of corn to any point short of the extreme limit which consumers were able and willing to pay. Rent, therefore, is in such case governed not by the necessary cost or costs of producing corn, but simply by the need and ability to purchase of the consumer on the one hand, and by the disposition of the owner of the natural agent on the other—or, according to the usual phraseology, by demand and supply.

We have arrived, therefore, at the following conclusions :—agricultural rent, to which alone the theory propounded by Ricardo is applicable, differs from the other cases to which I have adverted :—first, with reference to its cause ; the cause of agricultural rent being the different costs at which agricultural produce is raised, while the other cases of rent are due to the principle of monopoly : secondly, it differs in the consequences to which it leads ; agricultural rent having no effect upon price, while the rent that results from monopoly leads to a rise of price in proportion to the rent ; and, thirdly, it differs in the laws by which it is governed ; the rent which results from monopoly being governed, like other cases of monopoly, solely by the principles of demand and supply, while the rise and fall of agricultural rent depend on the relation between the productiveness of agricultural industry and the price of agricultural produce.

It is most important to observe the distinction between these two phenomena of rent, to the confusion between which the objections which have been advan-

ced by various writers against the theory of Ricardo owe whatever plausibility they possess. So important indeed is the distinction, that, were we framing a new nomenclature of Political Economy, I should prefer confining the term rent to the case of agricultural rent, as contemplated by Ricardo, considering those other cases of rent which are the consequences of monopoly as coming under the head of taxes on commodities, to which they are strictly analogous. In a certain sense, the sovereign authority of the state may be said to have a monopoly of every article of production, inasmuch as it may refuse to permit its production except upon such conditions as it may in its sovereign pleasure choose to enact. Government, *e. g.* imposes a tax upon malt, and refuses to allow malt to be made except on condition that for every bushel of barley malted a certain sum be paid into the exchequer. The consequence is, that the price of malt rises to such a point as is sufficient not only to cover the expenses and profits of production, but to leave over and above a surplus value which goes to the government as the malt tax. If government were to raise the tax higher, the price would rise higher ; if it were to abolish the tax, the price would fall proportionally. It is evident, this is precisely analogous to the case of a rent on the unoccupied lands of Australia ; leading to precisely the same phenomena in the production and distribution of wealth. The revenue derived from this source, therefore, would be more properly considered as a tax on raw produce

than as rent. In the same way, the rent derived from a patented process has all the attributes of a tax. It springs from the monopoly of the patentee ; it is regulated by his discretion ; and it constitutes an addition to the natural price of the article. The word "tax," however, is generally confined to the exactions of the state ; and the laxity with which the term "rent" is applied to every form of revenue derived from articles let to hire is probably too inveterate to be corrected. It is all the more important, therefore, that the distinction in things should be borne in mind.

In the opening of the present observations I alluded to the ground of objection taken by Mr. Rickards to the doctrines which I have been examining in this and the last lecture, viz. that they "both rest upon the same assumption—that of the diminishing productiveness of the land as compared with the undiminished power of human fecundity." My object in recurring to this question now is not to offer any further arguments in support of a position, which I conceive has been already sufficiently established, but to avail myself of the reasoning of Mr. Rickards in illustration of what it has been the object of these lectures to prove—viz. the influence which mistaken views of the character and method of Political Economy have exercised in producing those discrepancies of opinion upon fundamental doctrines to which I adverted in the outset.

Mr. Rickards denies that the diminishing produc-

tiveness of agricultural industry is a fundamental law in Political Economy ; and, having quoted Mr. J. S. Mill's statement of the law, with his explanation that it was constantly neutralized in a greater or less degree by "an antagonizing principle," which Mr. Mill designates as "the progress of civilization," Mr. Rickards proceeds to remark:—"With regard to the alleged *law* of production, heralded forth by this author as 'the most important proposition in Political Economy,' I confess myself unable to understand on what foundation it is supposed to rest. A *law* of the social system, if I rightly understand the expression, can only be deduced from ascertained facts ; it is a rule founded on a plurality of instances to the same effect. We are entitled, therefore, to ask, When and where has such a law been found in operation ? What period or what country can be referred to in which the rule has been or is now in force ? Certainly it does not hold good in England,—a country where, undoubtedly, though there is still great room for improvement, 'men have applied themselves to cultivation with some energy, and have brought to it some tolerable tools ;' a country, too, in which the peculiar density of its population operates constantly to bring fresh soils into cultivation. But in England it seems to be admitted, or, at all events, it can be abundantly proved, that if we take any two periods sufficiently distant to afford a fair test, whether 50 or 100, or 500 years, the productiveness of the land relatively to

* Population and Capital, p.p. 135, 136, 137.

the labour employed upon it has progressively become greater and greater. . . . But the manner in which Mr. Mill accounts for the admitted aberrations from his supposed law of production, presents to my mind still greater difficulties. The law, according to him, is counteracted, or suspended, by an agency which is 'in habitual antagonism' to it; and this agency is, in brief phrase, 'the progress of civilization.' Are, then, the only exemplifications of this 'law' to be found in countries in which civilization is not advancing? Is the law one which never co-exists with a state of social progress? But, surely, it is such a state as this that all our reasonings, as political economists, presuppose;—this is 'the natural course of things,' as Mr. Senior justly says, 'for it is the course for which nature has fitted us.' Suppose civilization not advancing, and all those phenomena of the social system which economists have studied and described become reversed.—population falls off, combination of labour gives place to isolation, machinery to manual toil, communications are cut off, exchange is impeded, and labour of every kind, not only agricultural but manufacturing also, becomes less and less productive. This is, no doubt, true, but this can hardly be what Mr. Mill means by 'the most important proposition in Political Economy,' for it is one which operates only in an abnormal state of human affairs, and gives place to a converse rule whenever the manifest design of Providence and destiny of our species are fulfilled—that is, by the progress of civilization

It is that progress which, by its manifold effects and influences, direct and indirect, as set forth by Mr. Mill himself, tends to confer, as wealth and numbers multiply, an increasing productiveness both on the soil and on every other field of human industry. This is, indeed, a 'law,' which, so far as experience hitherto informs us, has never failed to operate, and of which we may, therefore, reasonably infer, that its beneficent operation is still likely to continue."

Mr. Rickards' conception of "an economic law" is, as appears from this passage, something essentially different from that of Mr. Mill, and, as might be expected, the views of these economists as to the kind of evidence applicable to the proof of such a law are equally at variance.

An "economic law," according to Mr. Mill's view, represents the influence which a particular cause (in the present instance, the physical character of the soil) exercises on some of the phenomena of wealth ; and, agreeably with this view, his method of establishing the law consists in a reference to facts which prove the physical character in question, and then in reasoning on the premises thus obtained. According to Mr. Rickards, on the other hand, an "economic law" is not an assertion respecting the influence of any one cause, or even the combined influence of any number of known and definite causes, but a statement of the order in which events have actually taken place—these events being the result of a vast variety of causes, more, or less, or not at all, known ; and this

being his conception of an economic law, he naturally has recourse to history or statistical tables in order to establish it. The one is a statement respecting a tendency now existing, the ultimate proof of which is to be sought in the character of man, or in physical nature: the other is a statement respecting an historical fact, and, being such, of course must ultimately rest upon documentary evidence. However, therefore, either may be determined, it is plain that it cannot be taken as a refutation of the other, since it merely amounts to the assertion of a wholly different proposition. In deciding, therefore, between Mr. Rickards and Mr. Mill, we have to consider, not which proposition is true, for there is nothing incompatible in the two doctrines, but which, looking to the ends of Political Economy—the explanation of the phenomena of wealth—is the more important.

Now, touching the fact of agricultural progress, (which is what Mr. Rickards' doctrine of the increasing productiveness of agricultural industry amounts to) this, as I observed when replying to the same argument as urged against the doctrine of population, * affords no explanation of any phenomenon connected with the production and distribution of wealth, but is itself a complex and difficult phenomenon which it is the business of the political economist to explain. To bring forward this, as Mr. Rickards does, as an ultimate fact in Political Economy—to deprecate all further analysis of the causes on which it depends

* See ante, p. 129.

—is simply to abandon all pretensions to solving the problems of wealth—is to give up at once the cause of Political Economy, as an inductive science.

On the other hand the influence of the physical qualities of the soil, as expressed by the law of its diminishing productiveness in Mr. Mill's sense, is a principle most important with reference to the objects of Political Economy, and quite essential in enabling us to understand the actual phenomena presented by agricultural industry—a principle which, taken in conjunction with the various agencies included under the expression "progress of civilization," explains, amongst other things, that general tendency to a fall of profits and rise of rent, which, though frequently and sometimes for long periods interrupted, is nevertheless one of the most striking circumstances connected with the material interests of advancing communities. It is to be observed that there is nothing in what I have quoted from Mr. Rickards, nor, I may add, in any part of his work, which can properly be said to impugn the correctness of this explanation. In terms, indeed, he denies some of the propositions on which it is founded, but it is in terms only; when we come to examine his meaning we find that it has reference to a wholly distinct question. His remarks, so far as they are pertinent, consist in an attempt to ridicule the idea of any explanation.

"Mr. Mill's law," he says, "has not yet come into operation."* And why? Because, forsooth, it has been

* Page 141.

counteracted by a law of an opposite tendency. "It has been postponed (to say the least) by the habitual antagonism of various causes." I am most anxious not to misrepresent Mr. Rickards, but it appears to me that the only possible inference to be drawn from this language is, that he refuses to admit the existence of a law or tendency, unless the operation of this law be perfectly free from all obstructing or counteracting influences; in short, that he regards the mutual counteraction of opposing forces as an amusing but unsubstantial fiction of philosophers.

It is scarcely necessary to say that such views go directly to impugn the whole received system of inductive philosophy. If, for example, such objections are to be listened to, how is the first law of motion to be established? The objector might say, "When and where has such a law been found in operation? certainly it does not hold good in England." So far from its being true that a projectile once set in motion will proceed for ever in the same direction with unimpaired velocity, we know that the best minié rifle will not send a ball more than a couple of miles, and that it is almost immediately bent out of its direct course into one nearly resembling a parabola. "Does this law of motion only operate in an abnormal state of human affairs?" If the physical philosopher were to explain that the natural tendency of the law was "habitually counteracted" by the antagonizing force of gravity, he would be met by the retort, that "this mode of accounting for the admitted aberrations of

the supposed law presented to the mind still greater difficulties." The law of motion, according to the physical philosopher, is counteracted or suspended by an agency which is in habitual antagonism, and this agency is, in brief phrase, the law of gravitation. Are then the only exemplifications of this law to be found in countries in which the law of gravitation does not exist?

It is, I say, scarcely necessary to insist that such a line of reasoning is wholly inconsistent with the received logic of the inductive sciences; and, if admitted, the structure must fall. The diagonal of a parallelogram must no longer stand for the resultant of the forces represented by the sides. The facts of the ascent of a balloon through the air, of the rise of the mercury in the Torricellian tube, must be considered as a "refutation" of the law of gravity; the gyrations of a boomerang as a disproof of the first law of motion. The neutral salt, just because it is neutral, no longer contains the acid. Friction has no existence and no effect, because it does not bring the vehicle to a stop. The advance of a ship against wind and tide is a proof that there is no wind or tide. The progress of the world in civilization is a proof that there are no passions in human nature and no laws in the physical world which tend to impede it. In short, the notion of "habitual antagonisms" is to be at once exploded. The attempt to resolve complex uniformities into simple principles—that is to say, "the interpretation of nature"—is to be abandoned, and we are hence-

forward to content ourselves with the rough statistical results.

According to the views here indicated of the character and method of the science, Political Economy is plainly identical with the statistics of wealth and population, and this probably is the idea which is popularly entertained with respect to it. If this view, however, is to be accepted, its pretensions as a science, as a means of analyzing and explaining the causes and laws of which the facts presented by statistical records are but the result, must be given up. We may indeed give to the empiric generalizations which are to be found at the bottom of our statistical tables, and which are "founded on a plurality of instances to the same effect," the sounding title of "laws of our social system"; but if such empiric generalizations are to be regarded as ultimate facts, if every attempt at further analysis is to be met by ridicule of the idea of causes being in "habitual antagonism," and by simple re-assertion of the complex fact to be explained, then, however we may persist in retaining the forms and phrases of science, the scientific character of the study is gone; and Political Economy has no longer any claim to be admitted amongst those departments of knowledge of which the business is, not only to observe, but to interpret nature.

It appears to me, however, that there is nothing in the phenomena of wealth which takes them out of the category of facts in explanation of which the method of analysis and deductive reasoning may be applied.

I have endeavoured to show that, while on the one hand, we labour under much disadvantage, as compared with those who investigate physical nature, in being precluded from experiment, and in having to deal with facts of an extremely complex and fluctuating character ; on the other hand, we possess peculiar advantages in being able to derive our premises either directly from our consciousness, or from physical facts easily ascertainable, instead of being obliged to elicit them by long courses of inductive reasoning. It has been by following the method indicated in this view of the problems of wealth, that such truths as Political Economy has yet brought to light have been established ; and by steadily prosecuting our inquiries in the same direction by the same road, I feel very confident that most of the difficulties which now beset economic questions may be overcome, and that still more important truths may be discovered.

APPENDIX A.

IF, not confining myself to economists of established position and reputation, I were to include every writer on economic questions, there is not a single doctrine within the range of the science that could be said to be undisputed. A late writer, e.g., Mr. Macleod, in a work entitled, "The Theory and Practice of Banking," proposes to make a complete *tabula rasa* of Political Economy (which he considers as "almost a branch of mechanics;"—"all sciences," he tells us, being "questions of force and motion,") and to reconstruct it, taking as its basis certain notions of credit and capital, which he claims to be the first to have evolved, and his title to the discovery of which will probably pass unchallenged. This writer thus delivers himself:—"We do not hesitate to say that there is not a single writer on Political Economy who has given a correct account of them [the laws of wealth], and more especially what has been written lately is the result of the most extraordinary misconception of the nature of the thing, the most profound ignorance of the details of business, clothed in language so palpably self-contradictory and inaccurate, as to excite nothing but surprise." [Vol. 2, Introduction, p. 58.] . . . "THE TIME HAS COME WHEN ALL POLITICAL ECONOMY MUST BE RE-WRITTEN. Every error in thought and language, which confused and retarded all the other inductive sciences, now deforms and obscures monetary science. There is hardly an expression in common use among writers on the subject which is not totally erroneous," [p. 80.]

The weapons by which Mr. Macleod proposes to demolish the present edifice of the science would seem to be vituperative epithets. Here are a few examples of his method. Ricardo's theory of rent he brands as a "prodigious delusion." Mr. Mill's nomenclature implies "the most ludicrous misconception," &c. Of the doctrine that cost of production regulates value, he says, that "no more stupendous philosophical blunder ever infected the principles of any science." In the next sentence it is called a "tremendous fallacy," and further on a "pestilent heresy." Mr. Tooke's distinction between currency and capital exhibits "a profound

misconception of the whole nature of monetary science—" . . . "one of the most profound delusions that ever existed." A passage quoted from Colonel Torrens is "nothing but a series of blunders and absurdities;" . . . his statements are "simply ridiculous," while, in another place, he confounds together in one sweeping category "Mr. Ricardo, Mr. McCulloch, Mr. John S. Mill, Mr. Samuel Jones Loyd, Colonel Torrens, Mr. Norman, Sir Robert Peel, and Sir Archibald Alison," as the propounders of every species of logical fallacy.

The cause of the failure of Political Economy hitherto, Mr. Macleod tells us is "that no writer who has yet handled it possessed the indispensable qualifications for success." These qualifications the writer then not obscurely hints have been incarnated for the first time in the person of the author of "The Theory and Practice of Banking." Amongst the requisites for success, one would imagine a competency to write the English language, and a capacity to understand the views of previous writers before denouncing them, would be included. How far these are included amongst Mr. Macleod's qualifications, the reader may judge from the following examples.

The following is a specimen of this author's defining power—"capital is the circulating power of commodities," [vol. 2, Introduction, xlvii.] When Mr. Macleod tells us elsewhere that "the object and function of capital is to circulate commodities," he uses language which, however objectionable and repugnant alike to scientific requirement and to popular usage, has at least the merit of being intelligible. Again, when he says that "capital and credit constitute the circulating medium," though the expression implies a fundamental misconception of the laws of the production and distribution of wealth, we may yet guess at what he means. But when he says that "capital is the circulating power of commodities," if he does not mean to attribute to commodities a faculty of locomotion, he uses language which is capable of conveying no idea whatever; yet this, he tells us, is "the original primary and genuine sense of capital" as distinguished from "the secondary or metaphorical sense." Let us suppose that Mr. Macleod meant by the expression, "circulating power of commodities," what assuredly the language does not convey, viz., the power which circulates commodities, even this will not help him. From his remarks elsewhere it is plain that he meant to designate money and credit. Now, money and credit are not the power which circulates commodities, any more than air is the power which transmits sounds, or language the power which communicates ideas. The power which performs all these things is the human will; money and credit in the one case, air and language in the other, being the media or in-

struments by which the several ends are accomplished. But, without entering into the metaphysical question, let us ask what would be thought of a writer who should describe air as "the transmitting power of sounds," or language as "the communicating power of ideas?"

Take another example of Mr. Macleod's scientific precision. He thus lays down the criterion of a true principle, "*Every true formula, or general rule, must bear on the face of it all the elements which influence its action,*" [lxv.] i. e. which influence the action of the formula! One may guess at the idea which Mr. Macleod intends to express; but the words as they stand, are destitute of all meaning. Take another case. In p. lxi., &c. Mr. Macleod objects to the law of "cost of production regulating value," because it is inapplicable to "all cases where the same cost of production produces articles of different qualities." Will Mr. Macleod inform us how "the cost of production" can "produce articles?" In another passage he writes thus, "alone of all the political sciences its phenomena (i. e. the phenomena of monetary science) may be expressed with the unerring certainty of the *other* laws of nature." [xxxv.]—Phenomena and *other* laws of nature! Effects and *other* causes! Surely what Mr. Macleod *meant* to say was that the phenomena of monetary science may be expressed with the same unerring certainty as the phenomena of the other inductive sciences—a thought, one would imagine, which might be conveyed without severely taxing the resources of the English tongue.

These are a few specimens, and by no means unfavourable ones, of Mr. Macleod's ordinary scientific style;* they are taken, it will be observed, from that portion of his work in which accuracy of expression would be found, if it were to be found at all—namely, from his definitions and statements of general principles.

I have called attention to them, not only because of the importance of accuracy of thought and language in economic discussions, but because this writer, not content with pronouncing a general and sweeping condemnation on all preceding writers on Political Economy, has singled out for special denunciation their defects in regard to precision of language, a quality on which it is evident he peculiarly values himself. Thus, his anger passes all bounds against Mr. John S. Mill because that author states at the opening of his treatise, that it is no part of his design "to aim at metaphysical nicety of definition, when the ideas suggested by a term are already as determinate as practical purposes require." For this Mr. Mill is charged with deliberately adopting "all

* As a specimen of his style when he is less restrained by scientific considerations, take the following, "Some Political Economists pretend that the rules of

the loose phraseology of the public"—with seeking to "found a system on the loose babble of common talk." After the few samples given above, probably most readers will prefer the laxity of Mr. Mill to the rigid accuracy of Mr. Macleod. *Mallem, mehercule, errare cum Platone.*

But a word with regard to Mr. Macleod's capacity of understanding the authors whose writings he treats so contemptuously. A large portion of the introduction to his second vol. is devoted to an attempt to controvert the received doctrine, which attributes to "cost of production" a governing influence on the value of certain classes of commodities. "Political Economy," he says, "can never advance a step until this arch-heresy be utterly rooted out." Well, what is his contradiction of the "arch-heresy?" Here it is given in capitals, "VALUE DOES NOT SPRING FROM THE LABOUR OF THE PRODUCER, BUT FROM THE DESIRE OF THE CONSUMER. To allege that value springs from the labour of the producer is exactly an analogous error in Political Economy to the doctrine of the fixity of the earth in Astronomy." [lxiv.]

Granting that the analogy is perfect (though I confess I am unable to perceive it), will Mr. Macleod inform us who has said that "value springs from the labour of the producer?" His so-called "refutation" was more particularly addressed to the views of Mr. Ricardo and Mr. J. S. Mill. In the second paragraph of Mr. Ricardo's great work, he writes as follows:—"Utility then is not the measure of

the science are not applicable to extreme cases. An extremely convenient cover for ignorance, truly! Such arguments only prove the incapacity of those who use them. If an architect had miscalculated the strength of the materials of his columns, and his building came tumbling down, and he were to run about crying out, "It is an extreme case, the laws of mechanics do not apply to it!" the world would set him down as a fool. If an engineer whose boiler was to burst from bad workmanship, were to say that it was an extreme case, and that the laws of heat did not apply to it, he would be set down as a fool. In both these cases people would say that the architect and the engineer did not pay sufficient attention to the laws of nature. They would not say that the laws of nature paled before the incompetence of man. Those Political Economists who say that the laws of their science are not applicable to extreme cases, are just like such an architect, or such an engineer. Such a doctrine is the mere cloak of their own incompetence and ignorance. A false theory may account well enough for a particular case, like an engine may be at rest whose piston is crooked, whose wheels and cranks are all out of order. But the test of a well-finished engine is to work smoothly; it must be set in motion to test it properly. Just so with a theory; it must be worked—it must be set in motion. If it be true, like a well-fitting engine, it will work smoothly, it will explain all phenomena in the science; if it be not true, like a badly-fitting engine, it will crack, split, break in all directions.

Mr. Macaulay has used a similar line of argument with great skill and effect," &c., &c., &c.

exchangeable value, *although it is essential to it*. If a commodity were in no way useful—in other words, if it could in no way contribute to our gratification—it would be destitute of exchangeable value, however scarce it might be, or *whatever quantity of labour might be necessary to procure it*." The first sentence in Mr. Mill's chapter "on demand and supply in their relation to value," is as follows :—"That a thing may have any value in exchange, two conditions are necessary. *It must be of some use*, that is, it must conduce to some purpose, *satisfy some desire*. But secondly, the thing must not only have some utility, there must also be some difficulty in its attainment."

Mr. Macleod's refutation of the doctrine that "cost of production regulates value" is, therefore, simply a refutation of his own extravagant misconception of it. If any further evidence be necessary to show this, take the following passage, in which an objection is taken to the ordinary limitation which is given to this doctrine ;—"because, for it to indicate price correctly, even in that one instance, it requires this essential qualification, that the supply should be unlimited" [p. lxi]. Now if the supply were "unlimited," the article could have no exchange-value whatever. What the authors who have maintained this doctrine have stated, and what possibly Mr. Macleod intended to say, was that the article should be such as may be freely produced in any quantity required ;—but Mr. Macleod can see no distinction between this and an "unlimited supply."

When a writer thus shows an entire inability to comprehend the meaning of authors of such remarkable perspicuity and power of expression as Mr. Ricardo and Mr. J. S. Mill (for I will not suppose that he intentionally misrepresents them), his competency for the task which he has undertaken, of re-constructing the science of Political Economy, may be imagined. It is, of course, unnecessary to notice his "arguments" in refutation of the doctrine in question. It will be time enough to do so when he shows that he understands the principle he assails.

APPENDIX B.

THE limits of economic inquiry and the grounds of these limits are thus laid down by Mr. J. S. Mill:—"Laws of mind and laws of matter are so dissimilar in their nature, that it would be contrary to all principles of rational arrangement to mix them up as part of the same study. In all scientific methods, therefore, they are placed apart. Any compound effect or phenomenon which depends both on the properties of matter and on those of mind may thus become the subject of two completely distinct sciences, or branches of science ; one treating of the phenomenon in so far as it depends upon the laws of matter only ; the other treating of it in so far as it depends upon the laws of mind.

"The physical sciences are those which treat of the laws of matter, and of all complex phenomena, in so far as dependent upon the laws of matter. The mental or moral sciences are those which treat of the laws of mind, and of all complex phenomena, in so far as dependent upon the laws of mind. . . . Many of the physical sciences may be treated of without any reference to mind, and as if the mind existed as a recipient of knowledge only, not as a cause producing effects. But there are no phenomena which depend *exclusively* upon the laws of mind ; even the phenomena of the mind itself being partially dependent upon the physiological laws of the body. All the mental sciences, therefore, not excepting the pure science of mind, must take account of a great variety of physical truths ; and (as physical science is commonly and very properly studied first) may be said to presuppose them, taking up the complex phenomena where physical science leaves them.

"Now this, it will be found, is a precise statement of the relation in which Political Economy stands to the various sciences which are tributary to the arts of production.

"The laws of the production of the objects which constitute wealth, are the subject matter both of Political Economy and of almost all the physical sciences. Such, however, of those laws as are purely

laws of matter belong to physical science, and that exclusively. Such of them as are laws of the human mind, and no others, belong to Political Economy, which finally sums up the result of both combined." (Essays, pp. 130, 131, 132.)

Mr. Senior's comment upon this, in the notice of Mr. Mill's Works which appeared in the *Edinburgh Review*, October 1848, is as follows :—"The justice of these views, we think, is obvious : and though they are now for the first time formally stated, an indistinct perception of them must be general, since they are generally acted on. The Political Economist does not attempt to state the mechanical and chemical laws which enable the steam engine to perform its miracles. He passes them by as laws of matter ; but he explains as fully as his knowledge will allow the motives which induce the mechanist to erect the steam engine and the labourer to work it : and these are laws of mind. He leaves to the geologist to explain the laws of matter which occasion the formation of coal ; to the chemist, to distinguish its component elements ; to the engineer, to state the means by which it is extracted ; and to the teachers of many hundred different arts, to point out the uses to which it may be applied. What he reserves to himself is, to explain the laws of mind under which the owner of the soil allows his pastures to be laid waste, and the minerals which they cover to be abstracted ; under which the capitalist employs in sinking shafts, and piercing galleries, funds which might be devoted to his own immediate enjoyment ; under which the miner encounters the toils and the dangers of his hazardous and laborious occupation ; and the laws, also laws of mind, which decide in what proportions the produce or the value of the produce is divided between the three classes by whose concurrence it has been obtained. When he uses as his premises, as he often must do, facts supplied by physical science, he does not attempt to account for them."

A clear distinction is here drawn between human and external nature as regards their connexion with Political Economy. The facts supplied by physical science the political economist assumes as premises, but "does not attempt to account for them ;" while it is his business to "explain the laws of mind" under which those physical facts are turned to account in the production and distribution of wealth. I have in the text endeavoured to show that this does not correctly describe the character of Political Economy. Assuredly it does not represent Adam Smith's conception of the limits of economic investigation. In discussing the principle which leads to the division of labour [*Wealth of Nations*, Book I. Chap. 2] he thus indicates his

notion of the point at which the inquiry of the political economist properly ceases. "The division of labour is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility—the propensity to truck, barter, and exchange one thing for another. Whether this propensity be one of those original principles in human nature, of which no further account can be given, or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it *belongs not to the present subject to inquire.*" In other words, he distinctly declines to "explain the laws of mind" under which division of labour takes place; regarding them as facts not to be explained, but to be taken notice of and reasoned upon, in precisely the same way as in a subsequent chapter he notices the physical qualities of the precious metals—their portability, durability, divisibility, &c.—as physical facts to be taken account of, in order to understand the general adoption of them for the purposes of money. He no more attempts to explain the mental principles which lead to division of labour than he attempts to explain the physical principles which render the precious metals suitable as a medium of exchange. In both cases, in the language of the Reviewer, "he is satisfied with stating their existence."

The only writer, so far as I know, who has in *practice* transcended the limits indicated and observed by Adam Smith, is Mr. Jennings in his "Natural Elements of Political Economy." Not content with assuming mental principles as premises to be reasoned upon, in the same way as physical principles are assumed and reasoned upon, Mr. Jennings regards the explanation of the laws of mind as coming properly within the province of the Political Economist; and, agreeably with this view, his book is devoted to an analysis of the principles of human nature, psychological and physiological, which are brought into action in the pursuit of wealth. Thus having resolved the operations of industry into certain movements of muscles and nerve-fibre, he proceeds "to inquire what is the *modus operandi* of the mental influence which actuates these organic instruments," and this *modus operandi* having been analyzed, and the mental elements of the process ascertained, he makes these the basis of the division of industrial actions. These he divides as follows, viz:—1st, those which are "marked simply by the law of former co-existence,"—of which he gives the examples of "digging, threshing, rowing, sawing," &c.; 2ndly, those which are "marked by the application of judgment to the merely memorial trains of thought," e. g. those of "superintendents, inspec-

tors," &c. ; 3rdly, those which are "marked by the application of the law of resemblance to those processes of thought," *e. g.* those of "painters and sculptors;" and 4thly, those which are "marked by the further application of judgment to resemblance," *e. g.* those of "judges, legislators," &c. (Page 115 to 117).

Hitherto the nomenclature of Political Economy has been framed with reference to the phenomena of wealth, or the mode of its production and distribution. Mr. Jennings, taking a different view of the nature of economic science, defines and classifies on wholly different principles. Thus, "consumption" he defines as "that class of human actions, in which the instrumentality of the afferent trunks of nerve-fibre is predominant," while "production" is "the class in which that of the efferent trunks of nerve-fibre is predominant." The sensations which attend upon consumption, again, he divides "into two classes, according as they are conveyed by the nerves of common sensation, or by the nerves of special sensation." In the former class are comprised "sensations of resistance," of "temperature," "sensations consequent on the gratification of appetite," &c. In the latter, viz :—those conveyed by nerves of special sensation, are included the charms of "colour," of "form," and "of sound," . . . "the luscious taste which the palate derives from elaborate substances, in which sapid properties are joined with congenial odours, and diffused through substances agreeable to the touch."

If Political Economy is to be treated in this way, it is evident it will soon become a wholly different study from that which the world has hitherto known it. It is undoubtedly true, as Mr. Jennings remarks in his preface, that the subject matter of Political Economy represents the complex result of mechanical, chemical, physiological, and biological laws, together with the laws of mental and political philosophy ; but I cannot think that it follows from this that "each of the more complex of these subjects, being governed by all the laws which govern every subject of inferior complexity, in addition to its own peculiar laws, ought not to be examined, until the difficulties which surround each of these less complex subjects have been surmounted progressively and seriatim." Were this rule rigorously enforced, and were no one to be allowed to matriculate as a political economist till he had mastered all the less complex sciences, including mechanics, astronomy, chemistry, magnetism, electricity, physiology, biology, together with mental and political philosophy, the practice would certainly be attended with the advantage of effecting a very extensive reduction in the ranks of political economists ; if, indeed, with the exception of Mr. Jen-

nings himself, any should be found capable of passing the terrible ordeal. But I confess I am quite unable to see the necessity of making such impossible demands upon the human intellect. Surely, to recur to the example taken from Adam Smith, it is possible to perceive that division of labour, and exchange, facilitate the production of wealth, without deciding whether the disposition which leads to this course of conduct be an original or derived faculty; or to understand the advantages which the precious metals offer as a measure of value and medium of exchange, though we may be wholly ignorant whether they are simple or complex substances, or appear at the positive or negative pole of the battery. Or, to take an example from Mr. Jennings' book, I confess I am quite unable to see what new light is thrown upon the causes which determine the labourer's condition, by his telling us that during "production the instrumentality of the efferent trunks of nerve-fibre is predominant," while, during "consumption" it is "the afferent trunks of nerve-fibre which prevail." So long as the result is the same, so long as human beings possess the same energies, require the same subsistence, and are influenced by the same motives, the economic laws of wages will be the same, though they had neither "afferent" or "efferent" trunks of nerve-fibre in their bodies. Even were the encyclopedic knowledge, demanded by Mr. Jennings, easily attainable, it appears to me that nothing but confusion and error could arise from extending economic inquiry beyond the limits which have hitherto been observed. Take, *e. g.* the division of industrial operations which I have quoted above from Mr. Jennings, founded upon his analysis of the mental principles engaged, what is the *economic* value of this classification? What light does it throw on the production and distribution of wealth? Mr. Jennings places in the same class of "industrial operators," judges, and legislators, because the actions in which they engage are "marked by the application of judgment and resemblance to the merely memorial trains of thought;" but, economically considered, if it be desirable to class them at all, judges are far more widely separated from legislators than from "superintendents," or from "diggers, threshers, rowers, or sawyers," who are placed in distinct classes; judges being highly paid officers, while legislators (at least in this country) instead of being paid, are obliged to pay handsomely to be allowed to exercise their functions. If a judge be paid more highly than a digger, it is not because the exercise of the functions of the latter involve only "memorial trains of thought," while the exercise of those of the former involve besides the faculties of judgment, and of perceiving analogies—this, economi-

cally considered, being an accident ; but because the persons who are qualified to perform the functions of a judge are much fewer than those who are qualified to dig ; and the reason the former are more scarce is partly because the requisite natural faculties are more rare, and partly because the expense necessary to their due cultivation is considerable.

Classification will, I presume, be more or less perfect in proportion as it is founded upon those qualities in the objects of it, which, with reference to the ends of the science, are essential ; but a classification, based upon an analysis of the psychological or physiological operations which take place in the production or distribution of wealth, will not divide producers or distributors according to their economic importance, but according to circumstances which, economically considered, are purely accidental.

APPENDIX C.

THE following passage from Dr. Whewell's History of the Inductive Sciences contains so elegant an example of the logical process by which the great generalizations in physical science are established, that, with a view to illustrate some occasional references to the line of reasoning pursued in physical investigations which occur in the text, I am induced to extract it.

"When we look at the history of the emission-theory of light, we see exactly what we may consider as the natural course of things in the career of a false theory. Such a theory may, to a certain extent, explain the phenomena which it was at first contrived to meet ; but every new class of facts requires a new supposition,—an addition to the machinery ; and as observation goes on, these incoherent appendages accumulate, till they overwhelm and upset the original frame-work. Such was the history of the hypothesis of solid epicycles ; such has been the history of the hypothesis of the material emission of light. In its simple form, it explained reflection and refraction ; but the colours

of thin plates added to it the hypothesis of fits of easy transmission and reflection ; the phenomena of diffraction further invested the particles with complex hypothetical laws of attraction and repulsion ; polarization gave them sides ; double refraction subjected them to peculiar forces emanating from the axes of crystals ; finally, dipolarisation loaded them with the complex and unconnected contrivance of moveable polarization ; and even when all this had been assumed, additional mechanism was wanting. There is here no unexpected success, no happy coincidence, no convergence of principles from remote quarters : the philosopher builds the machine, but its parts do not fit ; they hold together only while he presses them : this is not the character of truth.

In the undulatory theory, on the other hand, all tends to unity and simplicity. We explain reflection and refraction by undulations ; when we come to thin plates, the requisite 'fits,' are already involved in our fundamental hypothesis, for they are the length of an undulation : the phenomena of diffraction also require such intervals ; and the intervals thus required agree exactly with the others in magnitude, so that no new property is needed. Polarization for a moment checks us ; but not long ; for the direction of our vibrations is hitherto arbitrary ;—we allow polarization to decide it. Having done this for the sake of polarization, we find that it also answers an entirely different purpose, that of giving the law of double refraction. Truth may give rise to such a coincidence ; falsehood cannot. But the phenomena became more numerous, more various, more strange ;—no matter : the theory is equal to them all. It makes not a single new physical hypothesis ; but out of its original stock of principles it educes the counterpart of all that observation shows. It accounts for, explains, simplifies, the most entangled cases ; corrects known laws and facts ; predicts and discloses unknown ones ; becomes the guide of its former teacher, observation ; and, enlightened by mechanical conceptions, acquires an insight which pierces through shape and colour to force and cause." —*History of the Inductive Sciences*, vol. 2, p. 464-6.

This circuitous mode of proof, indispensable in physical inquiries, is (as I have endeavoured to show in my third lecture) superseded in economic investigations by proof of a more direct, and therefore unequivocal character.





